THE FUTURE OF AGRICULTURE IN A WORLD OF PEACE

ADDRESS BEFORE THE INSTITUTE OF INTERNATIONAL RELATIONS AT GRINNFLL, IOWA FRIDAY, JUNE 19, 1942

BY R. M. EVANS MEMBER, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

> For release in morning newspapers of Saturday, June 20, 1942

Digitized for FRASER http://fraser.stlouisfed.org/ Federal Reserve Bank of St. Louis

THE FUTURE OF AGRICULTURE IN A WORLD OF PEACE

The President has said, "We are in the war, all of us, all the way". I'm sure "all the way" does not mean until the fighting stops. It means that the end of fighting will be only the beginning--the beginning of our opportunity to achieve what we are fighting for.

War and the peace to follow are one single, inseparable effort that must go on with mounting zeal until a new and better world is created by free men. Our peace aims provide the driving power for victory on the battlefield, in our factories, and on our farms. We work and fight like fury because of our faith that the world we are about to build will be worth our blood and sweat and tears.

The purpose of the United Nations can be summed up in the Four Freedoms expressed by the President of the United States, and they can't be repeated often enough: freedom to speak, freedom to worship, freedom from fear, and freedom from want.

The Vice President of the United States has interpreted the Four Freedoms in terms of the eternal march of the common man toward a common goal. It was foreseen by the prophets of the Old Testament. It lives in the spirit of Christianity and its companion, democracy. It has been fought for in revolutions and in war. It is spreading over the world as people learn to read and write, as they think and work together, as they use the tools of the machine age to improve living standards. In the United States the goal will not be reached until the common man is free from want, but we are moving swiftly in that direction through science and technology, through a strong labor movement, through better conditions for farmers, through the progress of education, and through the more perfect functioning of democracy. But now, as the Vice President puts it, the march of the common man is challenged by the satanic spirit of Hitlerism which seeks to take the world back to slavery and darkness.

The President and the Vice President have expressed what is in the hearts of all of us. Now it is up to us to think through our common aim, to apply it to our lives as we fight this war, and to make it the guide to our plans for peace.

The time to start creating a lasting peace in a better world is <u>now</u>. If we had waited to build up an army and navy and air force until we were attacked at Pearl Harbor, we would already be a conquered nation in a slave world.

Likewise, in agriculture, this country would not be the arsenal of food that it is today if it had not been for a strong and flexible farm program which was in full stride before the war began. Corn in the Ever-Normal Granary, for example, was abundantly available to convert into pork, eggs, and dairy products, which were the first foods requested by the British when the Lend-Lease Act was passed over a year ago. When I was in England last summer, the Minister of Labor said to me, "Send us meat, cheese and eggs, and we'll increase our production 15 to 20 per cent-just like that." All over England I was told, "If you cut off American food tomorrow, Great Britain is a thing of the past." Our food got there--is still getting there---and England is very much in the war.

The record flow of food to the United Nations and to our own fighting and working forces today was made possible largely by the Ever-Normal Granary and by the agricultural conservation program, which has been building up soil fertility year after year.

Under the conservation program pastures have been improved and expanded nearly 22 million acres; the soil has been enriched by commercial fertilizers and by using nitrogenous plants as fertilizers; wasteful wind and water erosion has been checked by planting cover crops to shield the soil and by such practices as plowing on the contour--that is, across sloping ground instead of up and down grade. Using conservation practices, farmers are able to increase their yields per acre right now, this year, and--through the same methods--they are building up fertility for even greater yields next year, and the year after that, and so on for the duration.

In addition to the Ever-Normal Granary and the conservation program, agriculture is doing such a splendid war job mainly because of elected farmer committeemen, who are running the programs in every county and in every agricultural community throughout the land.

Last summer, production goals were set up for every agricultural commodity to be produced in 1942. Last fall the farmer committeemen of Triple-A called upon, personally, individual farmers throughout the country to help work out a plan for each farm. The farmers of America could never have been reached--in little more than a month's time--if the Triple-A committeemen had not been on the job, ready to go at a moment's notice, personally acquainted with the farms and farmers in their neighborhoods.

What I'm saying is that agriculture's war task is being done so well because farmers had experience in operating a peacetime program which was put on a war basis long before Fearl Harbor.

Unless we have a strong agricultural policy when the war ends, farmers may become peasants, enslaved in poverty. Unless we have a strong national policy when peace comes, the American people may lose the war after gaining victory on the fields of battle. Unless the United Nations carry out their peace aims courageously, civilized man may lose what he is fighting for.

The future of agriculture is of universal concern, for the land is the ultimate source of all our wealth, of life itself. Be it cause or effect---the history of the rise and fall of civilization is the story of the growth and decay of agriculture. Man was not able to develop a civilization until he learned to farm. So long as man existed by hunting and fishing, he lived a nomadic life---without a permanent home, without large villages, with little material progress. But when man secured his food supply by the art of farming, he could afford to set up a permanent home in one locality. That was the beginning of the town and city civilization, which in the course of centuries has built up an infinite capacity for the creation of wealth through mass production. What we call the "cradle of civilization" was once a "fertile crescent" between two rivers in the Near East, a land "flowing with milk and honey". Now this land has lost much of its fertility and it is no longer the center of civilization.

The culture of the ancient Greek city-state was rooted in a careful type of farming marked by attempts on the part of each city to grow its own corn. Political difficulties and the struggle for food were tied up together in the wars which brought the decline of Greek culture.

The rise of the Roman Empire was based on an agriculture in which the soldier-cultivator worked small general farms. Later, in the luxury stages of the Empire, the slave plantation system developed. Then came the fall of Roman civilization.

As you turn the pages of history, you can see that a stable and abundant agriculture has enabled men to settle down and live and think together, to gain control of time and space through reading and writing and advanced means of communication, and to build those other things which, together with food, comprise an abundant standard of living. On the other hand, when the soil is devastated by careless cultivation and when farmers become forgotten men, that is the beginning of the end for any nation.

Let's not overlook the significant fact that periods of acute depression in the United States have been preceded by distress among farmers.

Food, and fear of hunger, is the rock-bottom issue of this war.

The German people love heavy meals, and Hitler has aroused in them fear of starvation by his lies about what he has called the encirclement by the democracies. He has persuaded his people to endure short rations with the promise that after the war every table will be richly laden with food from all parts of the world. One day, when the people under Hitler's yoke find out about food from the New World, you will see the greatest mass uprising in all history.

Back in 1937, Hitler's chief of staff of the German Supply Department made this statement: "A war begun with bread cards and turnips is already lost." Today, when we hear of food riots in Nazi-occupied territory, we are reminded that the Nazi supply chief may have been prophesying the doom of the Nazis. In the last war, when the Germans ran short of food, the workers called a munitions strike in February 1918 to force the government to increase the food ration. Hitler says in <u>Mein Kampf</u> that the munitions strike of 1918 was followed by a collapse of morale throughout Germany. He called it the stab in the back which made final defeat inevitable.

Poor diets are wreckers of morale. Doctors have pointed out that one of the first results of undernourishment is loss of the will to sacrifice, loss of the will to get things done. Good foods, on the other hand, supply fighting power. Vitamin A, for example, improves the vision of our fliers at night and prevents defects of the eyes, ears and lungs. Vitamin B helps curb seasickness, nervousness and digestive troubles. Vitamin C wards off scurvy, bad teeth, irritability, listlessness, and the plagues which cost the lives of more American boys in the last war than were lost on all the fields of battle.

Food in this war is on the side of the United Nations--producers of more than four-fifths of the world's corn and cattle and wool, close to three-fourths of the wheat, about two-thirds of the hogs and sugar and eggs. In the end, it's food that will win the war. And when the war comes to an end, the challenge of a new kind of peace will confront us.

As Henry Wallace once said, war is hell on agriculture. Within a few years after the last war, farm prices were cut in half. Hundreds of thousands of farmers lost their farms, and several million farmers became chronically poverty-stricken and debt-ridden. Only recently have farmers begun to recover from the agricultural depression that started more than 20 years ago, and farmers should keep this fact in mind.

Agriculture's problems after this war will be colossal, and they will be world-wide. No individual farmer, no single nation will be able to solve them alone. The answers will have to be worked out by all nations acting together.

The first job will be to feed starving peoples in many lands, among both the victors and the conquered. Because of the damage of war and the uprooting of families in the Old World, we in the New World will have to give food to those in need until they can get into full production. For a brief period after the fighting stops, it may be that every farmer will have to strain to the utmost to produce enough food. Following that, agriculture will feel the shock of flooded markets.

We know how each country tried to become self-sufficient during the first World War and in the 20 years that followed. But in this war, with shipping made hazardous by long-range bombers in addition to submarines and surface warships, nations have doubled and redoubled their efforts to produce their own food. Within a short time after the war, the productive capacity of the world's agriculture will be the greatest in all history. There will be fierce competition for markets, especially between new producers and pre-war producers. If world trade were permitted to drift into chaos, one result would be to drive down the living standards of farmers in all exporting countries. To solve the problems of world commerce after the war, we must protect producers as well as consumers. And we must recognize that we can't sell without buying. This country can't expect to find markets for the enormous output of its industries and farms unless products are taken in return from the countries with which we trade. We can buy many things that we don't produce in this country, things that will add greatly to the variety and richness of our living standards.

In the midst of war, one important step is already being taken to see that world trade in farm products is conducted in an orderly manner. Definite progress has been made in working out an agreement for the international marketing of wheat in the post-war world. Such an agreement has been the subject of detailed discussions among representatives of the principal wheat exporting countries--the United States, Canada, Australia, and Argentina--and the chief importing country, the United Kingdom.

An agreement of this kind would be significant in many ways. In the first place, it would prevent a chaotic international wheat marketing situation when the war comes to an end. It would demonstrate that both buying and selling nations can get together. It would recognize the fact that stable world trade is necessarily linked with orderly production, the maintenance of an Ever-Normal Granary, the conservation of soil resources and the deliberate improvement of living standards.

I hope to see more international agreements along this line, and I would not be surprised to see many other countries adopt the principles that guide our own farm program here in the United States, with its stabilization of production and prices, with its Ever-Normal Granary, with its emphasis on conservation, and with its features of protection for both producers and consumers.

Last summer I discovered that people all over England are giving much thought to post-war problems. Farmers are determined that they are not going through the wringer again as they did following the first World War. One of them told me, "Your Triple-A is the best program ever worked out, and I think we should have something like it in England after the war."

In my visits to Canada I have also found a great deal of interest in the Triple-A, and Canadians are giving thoughtful consideration to a farm program based on the same principles as ours.

The goal of agriculture in the United States is a healthy, selfreliant family on every farm, producing abundantly and selling at prices that are fair both to farmers and consumers. To reach this goal agriculture must have protected soil, stable supplies, adequate income, and a high degree of operator ownership. The present farm program, as it is being steadily improved and strengthened, can enable farmers to reach these objectives in the post-war world.

In order to take care of the land more thoroughly, I would like to see the development of a systematic conservation plan for each individual farm, growing the right crops on each plot of ground, following proper rotation systems, applying conservation practices according to the most efficient use of every acre. Naturally, such plans should be worked out Digitized for the farms that need them most, but in the long run every farm in http://fraser.stlouisfed.org/ the country should be operated that way. This conservation type of farming will mean a larger percentage of our crop land in grass each year, especially after the war when the demand for many of our war products will be materially reduced. Every agricultural college should be studying the use of grass as a crop so they can help the farmer make this fundamental change.

Our Ever-Normal Granary, I am convinced, will go down in history as one of the most outstanding agricultural achievements of this era. More than two billion bushels of corn and other grains have been handled in the last few years with the loss from deterioration of no more than a small fraction of 1 per cent--and even that was insured. The cost of handling the corn which has been stored under loan averaged less than 3' cents per bushel. This includes administrative costs, storage handling, insurance costs, and subsidized exports to Great Britain. The Ever-Normal Granary has a splendid record for economy and efficiency. More than that, it is now helping us to win this war,

In my day, I hope to see international Ever-Normal Granaries for the major export crops. In fact, I see no reason why this common-sense principle should not apply to other strategic materials as well. Surely we would have been better prepared for war if we had built up full "granaries" of rubber, tin, aluminum, and other vital materials that can be stored up in reserve.

An important part of agriculture's future is crop insurance, which at present guarantees producers of wheat and cotton a crop return despite such unavoidable hazards as drought, floods, hail, and fire. It would not be surprising to see the insurance principle extended eventually to all of our major crops.

The parity objective is another standard I hope will prevail, naturally with improvements in the formula from time to time. Parity is simply a yardstick to measure fair prices--a fair balance between what farmers receive and what farmers pay. Parity for farmers is a practical embodiment of the American principle of equality of opportunity, for farm families simply don't have a chance without something more than a mere subsistence income.

The fundamentals of a post-war farm program are the same as they are today, the same as they were before the war--soil conservation, to insure an adequate and efficient production for this and future generations (a larger share of the appropriations should be used for this part of the program)--an adequate Ever-Normal Granary protected by crop loans and marketing quotas--insurance, to guarantee the farmers a crop--parity--and the production to supply everyone with a well-balanced diet.

I wish I could say that existing measures will guarantee, for every one of the 6 million farmers in America, the objective of a healthy, self-reliant family owning its own farm. As a matter of fact, however, somewhere around 2 million units classified as farms are not really farms at all. They simply do not contain enough good land to support the families living on them. This unhappy third of agriculture contributes only about 10 per cent of the national output of food and fiber. There are about 8 million men, women and children on such uneconomic units who are not in a position to do their best for war production and who will never be able to enjoy satisfactory living standards as long as they stay where they are.

I hope the war will open up work for many of these people outside of agriculture. I hope the so-called farms which they are working to death now will be consolidated into larger, more efficient units capable of supporting farm families on an adequate basis.

After the war we must recognize that fewer people can be supported on the land directly. Opportunities outside of agriculture must be created for many of the people who for years have been trying to eke out a bare subsistence on small plots of ground which can't really be called farms.

In the 9 years of its existence, through many adaptations to changing conditions, the Triple-A has moved consistently in the direction of greater abundance for all. Surplus crops have been held down so as to avoid utter waste. But they have never been limited below the Nation's requirements for home consumption, for export, and for ample reserves.

Today agriculture is more abundant than ever before in history. Production goals call for increases in every major commodity except wheat. And the limitations placed on wheat, adopted by a vote of more than fourfifths of the producers voting in a popular referendum, are part and parcel of agricultural abundance. Excess wheat would take land away from necessary war crops. It would use up precious machinery and time and labor. It would clog our transportation and storage facilities, already overstrained and overcrowded. With a two-year supply of wheat on hand and no place to put all of the 1942 crop, controlled wheat production and marketing is simply a common-sense necessity to give other war crops a chance to expand as needed.

Agriculture has always been bountiful. It is now more bountiful than ever, in this fourth consecutive year of record output. And after the war agriculture will continue to be bountiful, always.

But post-war America cannot be half abundance and half scarcity-any more than a nation can be half slave and half free. All-out abundance requires full production in industry as well as in agriculture, and full consumption on the part of the entire population. Farmers can produce all we can eat but there must be markets for the things farmers grow. Those markets must come from people with enough income to buy what their families need. In recent years more and more land has been put into legumes and grasses, and this is going to continue. Bigger and better pastures have enabled agriculture to produce the dairy and livestock products we now need for Lend-Lease and other war purposes. The expanded output of such high-protein foods is just what the doctor orders for better diets in America, both now and after the war. So agriculture is moving in the direction called for by improved nutritional standards. But, again, I repeat that people must have the income to buy the right foods, and that applies to farm as well as city families.

The Food Stamp Plan and direct distribution to relief families offer splendid emergency methods for improving the diets of people who could not afford them otherwise. As a permanent answer, however, we must arrange things so that those families can afford to buy the food they need--with their own money, earned with their own labor. Our ancestors did not come to this country just to struggle along between one emergency and the next. They came for the opportunity of earning with their hands and brains a better living for their families.

4

And so we return to the Four Freedoms, as inevitably we must whenever we speak of war aims and peace aims.

I wonder if we realize how those freedoms depend upon freedom to eat? Hunger brings desperation, and desperation opens the door to dictatorship. In a dictatorship there is freedom only for one man. The dictator cannot tolerate opinions different from his own. The dictator cannot endure the rivalry of allegiance to God. And the dictator rules through fear. Hunger and fear of starvation--these are the elements that produce dictatorship and war faster than anything else.

Unless there is freedom to eat, there cannot long be freedom to think and talk, freedom to worship, and freedom from fear. The Lord's Prayer asks for only <u>one</u> bodily necessity: "Give us this day our daily bread". Food is necessary to nourish the mind and the soul.

Freedom from want is the foundation of the other three freedoms, and the most crucial want in the world is lack of food.

Can we create a world that is free from want and therefore safe for the growth of the soul of man? Can we have <u>total</u> abundance after the war? It all depends on two things-land and men. Human labor applied to the richness of the earth is the source of everything we have. The earth is bountiful. It contains enough of everything to satisfy every man, woman and child living on its surface. So it all depends on man-his skill and resourcefulness, his organizational ability, and, above all, his determination and drive.

If men and machines are going to create full abundance, there must be organization. We have learned how to organize the techniques of

using machines to transform natural resources into finished products. Now we need to organize for the abundant use of goods and services by all of the people.

In other words, we need to learn how to distribute the abundance which we know men and machines can produce. Down through the centuries, before the industrial age, man's labor with the primitive tools at hand could not produce all that human beings needed or wanted. The new day of which we speak is possible because, as the war has shown, men and machines can produce an abundance undreamed of before the industrial era. There is no reason why they should not be able to produce even more readily in peace than in war, turning out things that are constructive instead of destructive.

We will emerge from this war with the greatest army of skilled workers the world has ever seen, and with vastly expanded industrial facilities. The peace we mean to have will release natural resources for human betterment in all parts of the world. To distribute the potential abundance to all who would share in it is primarily a matter of intelligent management. We will have the man power, the natural resources. There is no reason why the production and distribution cannot be safely financed. The only real waste comes from failure to produce, failure to use idle labor, idle resources and idle money. That waste is irreparable.

Today we have virtually full employment and national income is already at unprecedented heights. It is currently running at a rate of some \$30 billions higher than the previous peak year of 1929. It is still increasing. That \$30 billions could be collected in taxes and still leave our people, after paying taxes, with more money than they had in the boom of the late 20's, before they paid taxes.

Why should we not continue to have full employment and a high national income in peace times? It will then be possible to manage our economic affairs without many complications that are unavoidable in a war economy and without the necessity for continued budgetary deficits and expanding public debt.

Many farsceing men are convinced that peace will liberate forces for human betterment beyond anything we have ever known and that we will learn to adapt our financial mechanisms for distribution of the potential abundance without destroying the profit motive or the incentives for human progress that are inherent in our economic system,

Chairman Eccles of the Board of Governors of the Federal Reserve System, in a speech prior to Pearl Harbor, emphasized that today the role of finance has been subordinated to the all-important objective of full production. To that end, democratic governments have asserted their sovereign power over the supply and cost of money. I want to quote the following from what he said: "It seems to me to be wholly in accord with democratic principles that elected governments shall have command over the most important functions essential for successful administration. It can hardly be denied that control of the supply and cost of money is one of the most vital of all functions. Those of your generation and mine are hardly in a position to argue that governments will be less enlightened, less capable of successful and proper management of this function than private interests have been. And there is always the redress in a democracy of supplanting any government that misuses or abuses such vital powers.

"But beyond this trend--the subordination of finance to economics--it seems to me to be significant and fortunate for democracy that the new emphasis is on production. It is, of course, tragic that the world thus far can only gear itself to full utilization of its man power and material resources in the making of war or the implements of war. It will be a world tragedy if, when peace is restored, we revert to the doctrine that we cannot afford to employ our human and material resources in full production."

There is no reason why those whose lives are devoted to production, whether in agriculture or industry, should not welcome the adaptation of our system and its modern organization to achieve what we now know can be attained without sacrifice of democratic institutions. I feel, as Chairman Eccles does, that in these grim days we need to keep before us the larger vision of why we are fighting and what we are fighting for. As he put it recently:

"The victory will give us the opportunity to turn promise into reality, to make the fine words and phrases we use in speeches come alive as practical realities. We in the United States have an inspiring, a challenging opportunity and a tremendous responsibility for leadership in the creation of a modern world in which the vast productive resources at our command are liberated for the benefit of all humanity, and the machine that man has invented is turned from destroying him to providing him with the abundance which we know it can produce--the abundance which we must learn to distribute to all who would share in it."

In the dark hours through which we must pass on the road to victory, let us keep before our eyes this vision of the new and better world to be created by and for free men.