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AGRICULTURE, INDUSTRY AND LABOR

Address by

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AGRICULTURE, INDUSTRY AND LABOR

The United States never before had as many of its citizens earnestly trying to find the causes and suggest the cures for our economic ills.

The lack of agreement in diagnosis and prescription suggests that perhaps, as fallible human beings, we are like the blind men who described the elephant. One grasped him by the tail and said the elephant is like a rope. The one who felt his leg thought him like a tree. Another who bumped into his side was confident that the elephant resembled nothing so much as a wall; while the last, who reached the trunk, thought he had hold of a snake.

We who are gathered here today are primarily concerned with the problems of agriculture. Elsewhere people are meeting who are concerned with labor, or money and banking, or transportation, or international trade, or manufacturing, or distribution — each has its difficulties. There is the risk that as we become wrapped up in the study of one of these features of our complicated structure we may lose sight of the great central national problem — the elephant, if you please.

So today, instead of confining my talk strictly to agricultural matters, I want you to take a look with me at some conditions of national concern which, while outside of the farm field, still have a powerful influence on the business of farming.

I think most of you will agree with me that there is no one simple farm problem that is common to all farmers and is susceptible to one simple solution.

Agriculture is out of balance with other elements in our economy. In November of last year farm prices were 94 percent of the 1909-14 level. The index of prices of things farmers buy was 121 percent. Industrial wages were 207 percent. The national economy is pretty lopsided with its price-structure out of joint like that.

There is no need for me to expand that idea with a lot of figures. Farmers of Maryland and elsewhere are only too familiar with it. The question is, what can be done to remove or correct the disparity?

Most of our thought has been given to a direct attack on the matter of prices by working on the supply of farm products. First through cooperative associations we sought to feed the market what it would take at a fair price. Many of us worked for years to try to get our farm exports handled in a way that would adjust supply to demand in the domestic market at a fair return to the farmer. The government, through the Farm Board, sought to help both through the cooperatives, and through holding excess supplies off the market in times of surpluses and low prices. The farmers are now engaged, with their government, in a gigantic effort to try to adjust their production in many crops to what the market at home and abroad will absorb.

Let me digress to remark that, as one who was concerned with the administration of the national farm program from 1933 to 1936, I get very tired of hearing the agricultural efforts criticized by the unthinking as "programs of scarcity". I promise not to use many figures here this afternoon, but there are a few which I have to use to set the record straight.

This last year, while farmers were producing more than ever before in the history of the country - more than they produced in 1919 or in 1929 or any other year - industrial production was reduced 35 percent below the quantity produced in 1929. Incidentally, the index of agricultural prices fell off one-third in 1938 compared with 1929. The prices of what farmers buy fell much less.

I repeat - the farmers kept up their volume of production, but manufacturing and mining industries cut their production down to the extent of 35 percent. Factory payrolls dropped 30 percent from the totals of 1929.

Take a specific instance that comes close home to the farmer. The production of farm machinery fell from an index of 190 in September, 1937, to 96 in September, 1938 -- almost exactly in half. Payrolls in farm machinery factories fell from 204 to 87 -- more than half. I don't need to tell you, but I'm asking you - how much did farm implements come down in price last year compared with the year before?

In other words, farmers keep on producing; factories shut down when output cannot be sold for a price that covers costs and a margin of profit, even though millions of workmen are plowed out into the street as an unfortunate result.

This condition suggests to me that part of the farm problem, and a large part at that, lies outside the farm field; that the policies of non-agricultural industry, of organized labor, and of the government with respect to both, may have enormous influence in determining whether the farmer prospers or suffers in the exchange of his goods.

If we examine each separate problem in our economy, I suspect we will find that in every case part of the trouble lies off in some other field. Labor suffers when farmers lack purchasing power to buy the output of city industries. Railroads suffer when volume of business lags. In other words, this isn't a rope, or a tree, or a wall, or a snake - it's an elephant we've got on our hands.

As I see the central problem, it is this:

We have millions of men unemployed; we have the greatest endowment of natural and mechanical resources known to the world; and we have the monetary basis for an expansion of productive activity far greater than ever existed heretofore. Yet opposed to these in stark paradox we have an almost unlimited gap of unfilled human wants and needs.

I submit that the challenge presented by that combination is, after all, the nation's economic problem number one. Work it out, and many of the difficulties of the farmers will shrink and disappear.

Dr. E. G. Nourse of the Brookings Institution once said: "Agriculture, industry and labor ought to pull together like a three-horse team to produce all they can."

That's a good thought. But most of you have worked a three-horse team. You know that one horse may be up in the collar trying to pull the whole load. You know that the others may let the tugs go slack now and then. Perhaps the other horses don't slacken up because they want to. Maybe there's something wrong in the way the harness fits. Maybe there is a sore shoulder or two. At any rate, for some reason they're not pulling their load. We are not getting full production.

Lately we've made it a four-horse team. The government is pulling too, and still we're not getting the job done that is here for us to do. I think most any farmer will agree that the extra horse is needed with the team until the sore shoulders are well. But he also wants to know that the other horses are getting collars and harness that fit so they can pull their share of the load. If that is done, perhaps we won't have to borrow the extra horse all the time. Maybe we will need him only when the plowing gets especially heavy.

A moment ago I referred to this central problem as a challenge - the problem of getting unemployed men and resources to work producing useful things. I used that word - a challenge - because other nations seem temporarily at least to be making headway through forms of government and at a price which we do not favor here. The price they pay is the complete subordination of the individual to the State.

The task ahead of us is to bring about such a rate of production that all of our effective man-power may find useful employment. Most of us favor accomplishing this expansion under private initiative and direction to the fullest extent that is possible.

The needs of the people are great enough to absorb production in the aggregate at a much higher rate than we have ever attained. Expansion to that point is safe as long as we produce what the people need and at prices at which production will be absorbed.

I should say that from the point at which we stand in January 1939, economic activity can rise and continue to expand provided (1) increasing purchasing power can be generally distributed; (2) industrial prices and wages do not rise <u>because of restricted production</u>; and (3) if speculation and bad price dislocations can be avoided.

All of us need to address our attention to this central problem. I mean all of us - those who are temporarily in positions of Government responsibility, the farmers, labor, industrialists, the press, the educators, the carriers, all elements in our society. I do not offer to solve the equation, but we do not have all eternity to work it out in.

I do not believe we are going to meet this challenge unless the government, the employers of labor, and the leaders of organized labor themselves, re-appraise their policies and true them up with the all-important objective of getting the unemployed into useful work and maintaining conditions that will give them work to do.

The American Farm Bureau Federation recognized the problem and advanced a suggestion at its convention in New Orleans last month. I quote that recommendation from the concluding paragraph in the first resolution adopted by the convention:

> "Believing as we do that recognition of these principles by all groups, and translation of such recognition into action, is the only way out of our economic difficulties, we respectfully urge the President of the United States to call together representatives of industry, labor, and agriculture selected from a list of those recommended by the duly selected leaders of the three major economic groups, to discuss a program of action designed to promote economic balance between these groups on a basis that will permit full utilization of our great productive resources and we further urge that in view of the serious effect of the present maladjustment, these representative leaders be kept in session until they have agreed upon such a program."

I submit two questions for your consideration:

Would not manufacturers and other non-agricultural producers be better off if they held to lower prices and larger continuous production when demand starts to revive, looking to volume production instead of increased prices for their profits?

And would not labor get higher real wages if its leaders fixed their eyes on the amount earned at the end of the year through steady employment in producing things people need, rather than on the highest attainable hourly wage for a minimum of production?

The principles suggested by these questions for industry and labor are the principles agriculture has always followed. If they are put to work, the farm problem will become far simpler to handle than it is.

Please do not misunderstand my references to the wage scales and practices of labor. Farmers want labor to have higher incomes. They want to see labor income raised, however, by more continuous employment in the production of things this country needs and, with our resources, should be able to afford - better houses and clothing and shoes; adequate and comfortable home furnishings, and the necessities and comforts now denied so many of its people.

Neither do farmers, in my opinion, begrudge industrial capital and management their adequate rewards, but they think it poor public policy to try to insure and protect those rewards by rigid prices and high margins at the risk of falling production and unemployment.

We saw the wrong kind of price policies in building materials, and the wrong kind of labor policies in the building trades, combine to kill off a promising rise in residential building in 1937. It will be interesting to observe whether there is any general recognition in 1939 of the set-back those earlier policies gave us.

Economists call the aggregate of income produced by all the workers of the land, our national income. It is possible to make that income steadily increase. If it does, troubles that seem so enormous today will give us decreasing concern - the state of the government budget, the condition of the railroads, and the economic health of agriculture.

The farmers of this section of the country are directly and vitally concerned. If we had full employment at good wages, the consumption of fruits and vegetables could be doubled. The market for meats and dairy products would be vastly broadened and the returns increased.

The factor of national income is the thread which runs through the welfare of agriculture in Maryland. The farmers of this state and of the other states of the North Atlantic seaboard are directly dependent for their prosperity upon the great consuming centers nearby. As factory payrolls in these cities increase, the people will have more money to spend for your products. The dependence of farmers upon consumer buying power is clearly illustrated by the fluctuation of dairy prices in close relationship with factory payrolls. And the prosperity of these cities upon which you so greatly rely, is not a thing apart. It is dependent on the purchasing power of the entire country.

Adjustments in the business of farming, with its more than six million individual units, will continually need to be made. In some areas, largely dependent upon a single crop, the adjustments will be especially difficult. Continued help of the government will be called for.

But if ours can be an expanding economy; if we can get all elements of the team to pull together, producing year by year a larger national income, then farmers can face the future with hope and confidence, so long as the whole country keeps on the upgrade.

Now in conclusion: We should look upon agriculture as a part of the economic fabric of the nation. Your welfare is linked to the economic welfare of the people employed in the mills and factories of your great cities. And the roots of their prosperity in turn are watered and fed by the farmers of the entire nation.

The question that faces us all is how to employ our people and our resources in the increasing production of useful things that will raise the standard of living of those who work. America will never be satisfied as long as unemployment and want are companions in our land. As pioneers in the biggest and strongest democracy, we must find the answer.

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