

FARMING
and
MONEY

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by
JENKS
&
PEDDLE

Christian
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and

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PREFACE

OF agricultural policies there is no lack; and the authors of this little work would have the greatest hesitation in placing it before the public were they not firmly convinced that the foundations on which it is based are sounder than any which have yet been suggested. Agriculture is an ancient, a far-reaching, and a highly complex industry, in which every member of the community is concerned directly or indirectly. Experience has shown that piecemeal efforts to restore prosperity to our fields and farmsteads may do more harm than good, being in the nature of surface treatments rather than a constitutional cure. These pages, therefore, deal with fundamentals rather than with details, with national welfare rather than with the interests of any one section of the community.

An attempt to reconcile the apparently conflicting interests of consumer and producer, of town and country, of external and internal trade, may seem to some to be altogether too ambitious an undertaking for so unorthodox a team as a farmer and a monetary specialist. The attempt would indeed be foredoomed to failure did it not have its genesis in two basic principles, both of which are in full accordance with that Scriptural teaching to which we, as a professedly Christian nation, should first look for guidance. The two basic principles are as follows:

(i) Since the sole end of all production is consumption, producers cannot prosper if consumers

as a whole are unable to obtain a sufficiency of effective purchasing power to enable them to satisfy their needs fully. This aspect of our thesis is of fundamental importance to agriculture. Distributive justice and efficiency must therefore be the keynote of all economic planning, but before these objectives can be attained a more elastic system of currency is necessary, and this the present monetary system is unable to provide. Monetary reform and the provision of a true neutral measure of value are therefore the prerequisite conditions of progress to the end desired.

(ii) Since the basis of all trade is the free and equitable interchange of primary commodities for manufactures and services, no nation can prosper unless its agriculture is as sound and as fully developed as its other industries. For a period we have been able to correct our ill-balanced industrial development by exploiting the agriculture of other lands, but the conditions which made this state of affairs possible are rapidly passing. Inevitably, we are being thrown more and more on our own resources, and agricultural expansion has become as essential a prerequisite to industrial recovery as monetary reform is to both.

We venture to suggest that it is because so little attempt has yet been made to give full effect to these basic principles that efforts to remove the ghastly paradox of 'poverty in the midst of plenty' have so far been singularly barren of good results.

The sympathetic reception that the proposals which follow have been accorded at the hands of

both theologians and agriculturists, regardless of political opinion, encourages us to hope that this book, together with 'THE ECONOMIC MECHANISM OF SCRIPTURE' which it supplements, will prove a useful contribution to our common problem. It has been written not merely for farmers, not merely for those who live on and by the land, but for all who draw sustenance from the land, that is to say, EVERYBODY. And if it brings fresh hope to the many who are now beginning to doubt whether the dawn will ever break, or man will ever be able to enjoy freely the fruits of the earth, the task will not have been in vain.

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39 VICTORIA STREET,
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7th January, 1935

“For the Lord thy God bringeth thee into a good land, a land of brooks of water, of fountains and depths that spring out of valleys and hills; A land of wheat, and barley, and vines, and fig-trees, and pomegranates; a land of oil olive, and honey; A land wherein thou shalt eat bread without scarceness, thou shalt not lack any thing in it.”

DEUTERONOMY viii. 7-9

“Hear this, O ye that swallow up the needy, even to make the poor of the land to fail, Saying, When will the new moon be gone, that we may sell corn? and the sabbath, that we may set forth wheat, making the ephah small, and the shekel great, and falsifying the balances by deceit? That we may buy the poor for silver, and the needy for a pair of shoes, yea, and sell the refuse of the wheat?”

AMOS viii. 4-6

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FARMING AND MONEY

CHAPTER I

THE DISEASE AND THE CURE

FEW persons will dispute the fact that British agriculture¹ has been undergoing a prolonged period of severe depression. But not many, even now, realise that this agricultural depression is one of the main causes of industrial depression and unemployment; and still fewer are able to trace the malady to its real source, namely—the defects inherent in the present monetary system.

Agriculture is the natural foundation on which the whole national economy should be based. It provides the most necessary of all commodities, namely food; and this it does by UTILISING and CONSERVING natural resources, not by CONSUMING them, as in the mining and saw-milling industries, or by merely CONVERTING raw materials, as in the manufacturing industry. Agricultural produce is the truest form of wealth that exists, for ‘at starvation-point all values disappear,’ that is, our whole civilisation depends upon the existence of

¹ Throughout this thesis, the word ‘agriculture’ includes stock-farming, poultry-keeping, dairying, market-gardening, etc., in fact, all forms of primary food production. Similarly, the term ‘agriculturists’ covers landlords and labourers as well as farmers and small-holders.

sufficient food. At the same time, agriculture is capable of providing directly an enormous amount of healthy skilled work, and indirectly an equally large volume of employment in supplying its needs and handling its products.

But what is the situation to-day? 'Poverty in the midst of plenty.' Agriculturists produce ample supplies of real wealth (i.e. food), but because this wealth must be sold at its existing 'money' value, a price can only be obtained that is far below its true value, namely—cost of production;¹ and even at the low prices now ruling consumers cannot fully satisfy their needs. Farmers find that no matter how much skill and energy they put into their business the only result is a financial loss; landowners have to pay heavy taxation out of greatly diminished rents; and though the farm labourer is partially protected by an artificial wage-standard, he is by no means as well off as he deserves to be. Because their purchasing power is thus whittled away, agriculturists have less to spend each year on manufactures and services. Thus the biggest and safest market which industrial and commercial Britain possesses is being restricted instead of being developed.

There is more than one reason for this disastrous state of affairs; consequently more than one kind of remedy is needed. But it cannot be too strongly emphasised that **NO OTHER REFORMS CAN BE EFFECTIVE UNTIL THE POWER OF THE PRESENT**

¹ Cost of production is taken to include a fair return to the producer for management and living expenses.

'MONETARY SYSTEM' TO INFLUENCE PRICES AND WAGES IS BROKEN. We are tied hand and foot to the 'system,' which rules that the reward wage-earners may receive for their labour or their enterprise is determined, not by their efficiency or by their needs, not by the wealth available, but only by the amount of CURRENCY which it can spare for the payment of wages and consumers' needs.

Currency was designed to be the medium of exchange—a neutral measure of value—and to be the servant of producer and consumer alike; a mere yard-stick, in fact, for measuring the price-values of commodities and services in the process of barter. As the currency is now anchored to gold and debts, it has become the master of us all, an intolerable tyrant to the whole community, save only the moneyed interests who are able to exploit its power for their own ends. As it exists, our currency has been made more valuable than any commodity, largely owing to the restrictions placed upon its volume,¹ and partly to its devaluation.² Both the restrictions and the devaluation have been responsible for the continuous deflation of prices that has occurred since December 1920.

This unnatural situation is the direct cause of four of the greatest evils from which Britain, and

¹ The volume of currency (cash) is still determined by the rise and fall in the Gold Reserves and the open market policy of the Bank of England.

² As practised by Great Britain since 1931, devaluation has not led to inflation for the reason stated. On the contrary, it has had a deflationary tendency. In effect it has meant the lowering of the external exchange value in terms of gold, and, as a corollary, a contraction of the currency in issue.

especially agricultural Britain, is suffering to-day. They are:

(a) Under-Consumption. The low prices which are bringing ruin to the producer arise immediately from the fact that consumers have not the purchasing power to satisfy their needs. 'Over-production' would disappear overnight if the potential demands of millions of poverty-stricken people for food and other necessaries were made effective. And since all producers are also consumers, production and consumption now form a vicious circle of ineffectiveness.

(b) 'Dumping.' The great excess of imports which has rendered the home producer's position so precarious does not arise out of legitimate trade (barter), but out of the desire of other countries to relieve their own markets and to obtain credits in London for general international use. So long as London remains the money-market of the world, Britain must be the dump for all surplus commodities, no matter what tariffs are applied. It is no longer true to say that imports create exports; nowadays they create short-term credits which can be transferred at will through the foreign exchange markets to any financial centre abroad.

(c) 'Haggling.' It is clear that if the volume of currency is restricted, and the work it has to perform is increased through the increased production of commodities, there is keen competition for the use of that currency, which therefore has to be spread as meagrely as possible. This leads to constant efforts on the part of employers to lower wages, and

on the part of consumers to lower prices. Low wages diminish purchasing power; a diminished purchasing power lowers prices; both result in unemployment, high taxation, and friction between different sections of the community. Hence it becomes necessary for the public to 'buy in the cheapest market,' whether goods or labour, regardless of all other considerations, and this is the real obstacle to the 'Buy British' campaign.

(d) Debt-Inflation. The burden of debt carried by this country is enormous. Excluding the American Debt of £1,060,000,000, the National Debt stands at £6,600,000,000, and to this must be added the indebtedness of local authorities (considerably over £1,000,000,000), and of course the huge volume of private and corporate liabilities. The significant point is that the task of providing the interest charges on this debt (interest on the National Debt alone amounts to £228,000,000 a year) ultimately falls on costs of production, which the producers must necessarily endeavour to recover from consumers through prices. But the lower the level of prices the more difficult does this task become. Moreover, in their struggle to obtain prices corresponding at least to their costs of production, producers find that they are handicapped by not being able to compete with imports from countries favoured with lower rates of taxation. The only people who derive an advantage from this situation are those possessing fixed incomes, either in the form of salaries or interest and dividends

receivable, since the purchasing power of these are automatically increased when commodity prices are deflated. But as the recipients of interest and dividends do not form a large section of the community, it cannot be said that the increase in the purchasing power of such incomes has proportionately increased the effective general demand for essential commodities such as food.

It will thus be seen that agriculture suffers not only from the contraction of purchasing power but also from its maldistribution. Moreover, the attractiveness of fixed interest-bearing securities has encouraged the banks to lend on such securities in preference to any other, which serves to divert credit still further from productive purposes to financial purposes.

In general terms, it may be said that most of our troubles arise from DEFLATION—that is to say, from a restriction of the number of currency notes in circulation, the result being that there is an insufficiency of currency to enable us to pay labour adequate wages, and so ensure the full distribution and consumption of the wealth that is produced annually. Increased production, instead of benefiting both producer and consumer, serves only to reduce the amount of money which can be offered for each unit of produce—hence prices fall. A restricted currency, based on gold and Government debts, as is the case with us to-day, is a FALSE MEASURE OF VALUE since it denies to the producer, whether employer or employee, the just reward for his exertions; and as producers form

the great majority of consumers, consumption is correspondingly restricted.

On the surface it would appear that a cure for this situation could easily be found in INFLATION—that is to say, by increasing the volume of fiduciary currency.¹ But in reality this solution is by no means so simple, since the UNREGULATED issues of such a currency would lead at once to wild fluctuations in prices and to most undesirable forms of speculation, to say nothing of the inevitable conflict of interests between producers and wage-earners on the one hand, and debt-holders and receivers of fixed incomes on the other. Currency expansion must not be left to the dictates of expediency, or to the whims of the political party which happens to be in power, but must be carried out on a scientific basis, so that the process is automatically self-regulating, no matter what the political situation may be.

This scientific basis is to be found in the CENTRAL RESERVE STANDARD, which has been evolved by Mr. J. Taylor Peddie.² Under this system the standard of value would be wealth in general, meaning by wealth the consumable things produced in the course of the year. Wealth is income and not capital. The wealth produced by the nation in the course of the year is its income for the year, and the main concern of the people at large is really with an equitable and full distribution of this

¹ The 'fiduciary' currency is that part of the currency issue which is covered by the Government's IOU in the form of securities, which are debts.

² For a fuller exposition, reference should be made to other works by this author. (See pp. 109 *et seq.*)

income. If all capital were distributed, and there were no income, the people would be no better off, because at starvation-point all values disappear. It will thus be seen that wealth and capital are very different things.

As labour can be paid FULL wages only out of the products or services on which it is employed, it follows that the price-value of any commodity should approximate to its cost of production; no other basis could secure the balancing of supply and demand and ensure the full consumption of commodities in general. Under the Central Reserve Standard the annual wealth produced would in fact become the real wages fund, which, provided it were equitably distributed, would in turn become the consumer purchasing power required to absorb the wealth fully. Part of the machinery for achieving this end would be the re-discounting of commercial bills under the safeguards outlined in the Central Reserve Standard (which would be operated by the Central Reserve Bank), and currency notes would be issued against the bills. This currency would be allowed to expand or contract with the volume of eligible commercial bills to be re-discounted, which bills would automatically cover costs of production as they were incurred; and as the currency notes would filter through wages to the community in general, to enable it to purchase the products when offered for sale, the producers would in turn be enabled to meet their re-discounted bills as they fell due. Hence the farmer would be assured not only of sufficient

currency to finance his operations, but also of a market for his produce when offered for sale. As the production of commodities would thus narrowly precede the effective demand for them, the inflation of commodity prices, and the evils associated with it, would be avoided.

Under the Central Reserve Standard the NEUTRAL MEASURE OF VALUE would in fact be the numerical expression of the currency note (i.e. 240 pence = £1). This would also be an INVARIABLE measure, because each note would be fully backed by the real wealth represented by the re-discounted eligible commercial bills of exchange, and not by a variable quantity of gold and Government securities. Each note would be valueless in itself, but would actually represent 240 pence worth of purchasing power over the mass of wealth.

International trading would be confined to the exchange of exportable surpluses on a BARTER basis. Credits arising from imports would not be transferable to other countries—they would have to be converted into exports from this country. That is to say, if Denmark were to send us £1,000,000 worth of butter, she would require to take back £1,000,000 worth of coal or manufactures. This would be by far the most effective way of dealing with the evil of 'dumping,' and would remove a great deal of the unfair competition from which British agriculture now suffers.

But because this country cannot recover a full measure of prosperity unless its agricultural industries are very considerably expanded, and because

this expansion is not likely to take place unless some tangible security is provided against the repercussions of international trade, to which these industries are particularly vulnerable, a definite assurance must be given that selective control of imports will be imposed whenever it appears necessary and desirable.¹

This control is also necessary in the interests of Empire trade, so that the generally accepted principle of 'Home producer first, Empire producer second, and the Foreigner third' may be given practical effect. India and the Crown Colonies can offer us a great deal of highly desirable trade, in that they can absorb some of our surplus manufactures for tropical products which we cannot grow here. On the other hand, the Dominions are peopled by our own kith and kin, and it is but natural that we should trade with them as much as possible, besides giving them the opportunity of repaying the money they have in the past borrowed from us for the development of their resources. It must, however, be clearly recognised that we cannot possibly absorb ALL the exportable products of the Empire, many of which compete with products of our own soil, and it would be a great mistake to create the impression that we do not wish the Dominions and Colonies to trade with other nations. On the contrary, if an extension of trade between the Dominions and foreign countries could be brought about, it would not only strengthen the economic

¹ The reasons why agriculture should receive preferential treatment are set out more fully in Chapters IV-VI.

position of the Empire, but also stimulate international trade in surplus commodities, thereby inducing peace and disarmament.

Machinery must therefore be set up to give effect to the principle that whenever Home and Empire producers can undertake to furnish definite supplies of any given commodity, the imports from foreign sources of that commodity will be correspondingly curtailed. Under the Central Reserve Standard it is not likely that this machinery will be much needed; but it must be brought into existence in order to give to agriculturists the confidence necessary to enable them to extend their commitments, pledge their credit, and create permanent improvements to the extent required if agriculture is really to solve the problems of trade and unemployment.

The adoption of the foregoing measures would thus confer upon British agriculture the following advantages:

(a) They would provide the currency necessary for the financing of production.

(b) They would ensure that this currency was available as consumer purchasing power to absorb the product at full price-values (costs of production).

(c) They would, by raising the standard of living among all classes of consumers, increase the *per capita* consumption of food.

(d) They would lighten the burden of taxation and fixed charges, and therefore lower costs of production, and at the same time increase the demand for commodities.

(e) They would restore international trade to a

true barter basis, and check unbalanced imports (i.e. dumping).

(*f*) They would provide a measure of security against market gluts arising from the repercussions of international trade.

(*g*) They would, by introducing a currency system backed by real wealth, of which agricultural produce would be the largest element, make agriculture the agency for the restoration of national prosperity, and thus re-establish it in its rightful place as the most important industry in the country.

Once the way has been cleared by the creation of a sound and scientific monetary system, it would be possible to bring into action an agricultural policy which would not only restore prosperity to all sections of the industry, but also increase the proportion of home-grown food from the present figure of 38 per cent. to at least 66 per cent., with great benefit to the whole community. The main heads of this policy as hereinafter outlined are:

(*a*) An Agricultural Discount Bank for the financing of production, and an Agricultural Land Bank for the financing of land purchase and permanent agricultural equipment.

(*b*) A comprehensive scheme of collective marketing covering not only the regulation of supplies and adjustment of prices, but also the collection, grading, and processing of produce.

(*c*) The creation of representative full-time Agricultural Authorities charged with the task of stimulating the intensification of production, and all that this implies.

(d) The provision of better housing, higher wages, wider opportunities, and a more comprehensive insurance scheme for the agricultural labourer; and the creation of a system for the infiltration of new labour from the towns.

(e) The provision of an 'agricultural ladder' in the shape of small-holdings of various types, plus a certain measure of financial assistance, so that no man with the right qualifications need be denied the opportunity of improving his position in agriculture.

(f) The stabilisation of land-values and rents, so that land can no longer be treated as a speculative commodity; and the creation of machinery for the maintenance of this principle, and for the promotion of occupying-ownership in relatively small areas.

The machinery required for the carrying out of this programme must be as simple and effective as possible. Agriculture being an extraordinarily diverse industry, with pronounced local characteristics, centralisation must be reduced to a minimum and the greater part of the executive work delegated to representative bodies working, in the case of production, on a county basis, and in the case of marketing, on a commodity basis. Members of these bodies should be drawn from all sections of the industry and should be paid for their services; this is essential if small-holders and labourers are to be properly represented. A postal ballot should be employed for electoral purposes, under the direction of the various County Councils. Each body should include a representative of the Agricultural Discount Bank or Land Bank (whichever is most directly

concerned), and one or more representatives of the general community; the latter would be appointed either by the County Councils or by the Government, as seems most appropriate.

These bodies would comprise:

(a) County Agricultural Authorities, representative of all classes of producers, including landlords and labourers, to take over all technical, advisory, and demonstrational work, and the control of diseases, pests, and vermin¹ from the County Councils; and the regulation of wages from the Wages Boards. They would advise the Agricultural Banks, the Land Commissions, and the Marketing Boards whenever required to do so; and they would do their utmost to ensure that the supply of cottages and small-holdings kept pace with the legitimate demand.

(b) A Central Agricultural Authority, elected by the County Authorities with a view to conferring with the Minister of Agriculture on matters of national policy.

(c) County Land Commissions to determine stabilised land-values and rents, to arbitrate between landlord and tenant, to promote the increase of occupying-ownership and to acquire land for cottages and small-holdings.² These matters are more fully dealt with in Chapter XII.

¹ The term 'vermin' includes rats, mice, rabbits, rooks, pigeons, and hares, and (in certain cases) foxes and deer. Private interests must not be allowed to stand in the way of national agricultural development, nor must considerations of sport be allowed to interfere with farming.

² It will probably be necessary to appoint a special sub-committee to deal with this important matter and administer cottages provided by the State.

(*d*) A Central Land Commission to co-ordinate the work of the County Commissions and serve as a court of appeal.

(*e*) Marketing Boards on a commodity basis, as constituted by the Agricultural Marketing Acts of 1931 and 1933, with the addition of representatives of the processing and distributing interests, wherever this be deemed desirable. It would be the duty of these Boards to advise the Government as to the volume and distribution of home supplies. The problems of marketing are discussed in Chapter VII.

(*f*) Agricultural Discount and Land Banks to perform the functions more fully described in Chapter IX. The directorates of these institutions should consist mainly of banking experts, but there should also be on each board an agricultural representative and an agricultural economist. The local managers would keep in close touch with the County Agricultural Authorities. The share capital would be guaranteed or provided by the Government, and all profits, after reserves had been set aside, would go to the Agricultural Development Fund; but, after the Fund had been wound up, the profits would be paid to the Government.

(*g*) An Agricultural Development Fund to be created to assist the agricultural industry to put into operation various phases of the policy outlined, until such time as sufficient resources had been accumulated to make this assistance unnecessary, when the Fund would be wound up. The Fund should be regarded in the nature of an insurance premium paid by the nation for the assurance of a healthy

and productive agriculture, in the same way that it pays premiums, through the Services vote, for the assurance of defence; and through the health and social services for the well-being of its poorer citizens. There is no doubt that such outlay could be repaid many times, and would be a much sounder investment than piecemeal subsidisation.

The Fund should amount to about £75,000,000, and be administered by the Central Agricultural Authority in the general interests of the industry, which would include:

(i) The working expenses of the various bodies referred to above, until reserves had been built up.

(ii) The establishment of the collecting depots and processing plants necessary for the development of the various marketing schemes, until the Boards were able to take these over.¹

(iii) The provision of agricultural cottages and of loans for new small-holders who may have insufficient means of their own.²

(iv) The subsidisation of wages under an apprenticeship scheme and the promotion of juvenile agricultural education.³

(v) The fostering of new industries, such as tobacco and fibre, until out of the experimental stage.⁴

(vi) The subsidisation of land-reclamation, such land, after reclamation, to be taken over by the County Land Commissions at the stabilised value of similar land already reclaimed.

¹ See Chapter VII.

² See Chapters XI and XIV.

³ See Chapter XIV.

⁴ See Chapter V.

CHAPTER II

A FEW PAGES OF HISTORY

IN order that a true perspective may be obtained it is necessary first to make a brief survey of British agriculture during the last hundred years. It is, for instance, seldom realised that the Industrial Revolution which attained its greatest intensity between 1844 and 1874, and which made Britain 'the workshop of the world,' had its counterpart in the countryside. The enclosures of the preceding period, which led to the creation of self-contained capitalist farms from the peasant-holdings and common-field system on which agriculture was formerly based, paved the way to far-reaching improvements in the art of husbandry; Britain's agriculturists became as famous as her manufacturers and merchants.¹ The land was cleared and drained, fertilisers were brought into general use, live stock were improved out of all recognition, substantial farm buildings were erected, and farm machinery was revolutionised. Steam cultivation, for instance, was in common use while many industrial firms were still relying upon water-power. The face of the countryside as we know it to-day dates for the most part from this 'golden age' when the British farmer had full and remunerative scope for enter-

¹ Britain still has a world-wide reputation and a considerable export trade in pedigree live stock, due to her original lead in the art of stock-breeding.

prise in the production of food for a fast-growing industrial population.

This remarkable period of development was due in no small measure to the attraction to this country of newly mined gold from Australia and California, London being the only market for gold at that time. This gold passed into circulation as coin, THEREBY EXPANDING THE NATIONAL CURRENCY AND WITH IT THE PURCHASING POWER OF THE COMMUNITY. No other country then possessed this advantage. After 1874, however, this advantage was lost owing to the adoption of the gold standard by Germany, France, and the United States, which countries bought gold from Britain with goods and securities, the goods being of course mainly agricultural produce. From this date (1874) imports show a steady increase, both actual and relative to exports.

By 1874, moreover, industrial Britain was reaching out for fresh worlds to conquer, and finding them in the newly opened territories of western United States, Canada, Australia, New Zealand, and South America. New outlets were thus provided for the savings accumulated by those who had drawn the profits of the industrial machine, and into the new countries were poured loan after loan, mainly in the shape of industrial products. Repayment could be made, and is still being made, only in the form of agricultural products, first grain and wool, then meat, and finally dairy products and fruit. Thus commenced the flood of imports against which the home farmer has been contending

for the last sixty years. Food prices fell year by year, at any rate until the middle nineties; 'free trade' was extolled to the skies; and British agriculture, instead of benefiting by the market provided by industrial expansion, was left to find its own salvation as best it could.

This it did, with partial success, by allowing the poorer tillage lands to revert to pasture, by using new technical improvements to lower working costs, and by concentrating as far as possible on such products (notably milk) as enjoyed some measure of natural protection. But this process involved a steady diminution in agricultural employment and, to a less extent, in agricultural output; the acreage under corn crops in Great Britain declined from $9\frac{1}{2}$ millions in 1874 to 7 millions in 1904, while the countervailing increase in live stock was relatively slight. Many of the arable farmers in the south and east found to their cost that 'high farming is no remedy for low prices,'¹ and were ruined, their place being taken by a hardier and more resourceful race from the north and west, with lower standards both of living and of farming.

Between 1895 and 1914 a slight but perceptible rise in commodity prices took place, owing in part to the increase in consuming populations in exporting countries such as the United States and Australia, but mainly to the gold discoveries in South Africa and Western Australia. For instance, the average

¹ Sir John Lawes. Because of the law of diminishing returns, increased output will not necessarily make good losses arising from lower prices.

price of wheat for the five years 1909-14 was 33s. 7d. as against 29s. 3d. for the preceding five years. Both rents and wages tended to rise, and farms were once more in demand; Sir Daniel Hall, writing in 1913 after a prolonged survey, remarked that 'the industry is at present sound and prosperous.'¹

But the prosperity so painfully and slowly regained was rudely disturbed by the Great War. With half their men and many of their horses in military services, with many of their raw materials unobtainable, farmers were called upon to avert the national starvation threatened by the submarine campaign by greatly increasing home production. With the aid of unskilled labour and imported machinery the crop area was increased by nearly 2 million acres, the increase in wheat and oats being 40 per cent., and in potatoes 30 per cent.—a no small contribution to the Allied cause.

This upheaval should have been turned to good account. War-time inflation had brought much new credit into the industry, and the nation had enthusiastically pledged itself to an ambitious agricultural policy;² the Agriculture Act of 1920 guaranteed minimum prices for cereals and a minimum wage for farm workers.

But before the work of reconstruction could be placed on a sound footing, a period of deflation was instituted by a severe contraction of currency in

¹ *Pilgrimage of British Farming*, p. 431.

² "An intelligent agricultural policy is the basis of a great industrial policy, and a systematic effort must be made to bring people back to the land."—PRIME MINISTER, November 23, 1918.

December 1921. By the end of 1923 the average index price of farm produce had dropped no less than 140 points, and the guaranteed prices were hastily withdrawn, leaving guaranteed wages to be paid out of a greatly diminished income. There was some recovery in 1924 and 1925, which was checked by the restoration of the Gold Standard in the latter year, from which date prices have continued downwards, the average index figure for 1933 being 107, that is to say, just above pre-War level. Prices of raw material (e.g. fertilisers and feeding-stuffs) have, fortunately, followed suit, and rents have in most cases been adjusted, though this is, of course, of no assistance to those who bought their farms in the assurance of guaranteed prices. But it is noteworthy that the largest farming cost, i.e. wages, has not been adjusted since 1925 (save for minor local variations), and remains at approximately double the pre-War level. The result has been a steady drop, averaging 13,000 a year, in the number of agricultural workers, with a corresponding reduction in the arable area, which in 1933 was actually $1\frac{3}{4}$ million acres less than in 1914.¹

Though agriculture has obviously been compelled to adopt the principles of 'safety first,' it must not be assumed that it has made no effort to save itself. The gross output for 1931-2 was estimated to be £183,670,000,¹ which is almost 9 per cent. greater than the census figure for 1925, and 27 per cent. greater than that for 1908, if allowance is made in each case for the difference in prices. The decrease

¹ Figures are for England and Wales only.

in employment has been relatively less than in any other basic industry similarly depressed, and the output per worker has been substantially increased. Any available life-buoy, whether milk, sugar-beet, poultry or vegetables, has been eagerly grasped, and it is safe to say that the present plight of agriculture is due, not to lack of enterprise or technical efficiency, but to the root causes referred to in Chapter I.

CHAPTER III

HOME AGRICULTURE AND INTERNATIONAL TRADE

It will be clear from a study of the foregoing chapter that British agriculture is by no means a detached or self-contained industry, but is an integral part of the British monetary and economic machine. Agriculture is the counterpoise of manufacturing, and the home farmer is every whit as much a customer of our industrialists as is the buyer overseas, and in many respects a better customer.

A new policy of agricultural expansion, such as is herein outlined, challenges the time-honoured and widely-held belief that we are essentially a community of traders, and that our sole hope of future prosperity lies in the recovery of international trade. This it does by offering an **ALTERNATIVE MARKET**. Those who regard our external trade as something sacred, and who assert that home food-production is a handicap in that it reduces the volume of imported food which we can take in exchange for our manufactures, are still thinking in terms of late-Victorian economics with their eyes shut to the realities of to-day.

Even in Edwardian times, our supremacy as export manufacturers was seriously challenged by rivals. Since the War, through circumstances over which we have had little control, our export trade has steadily diminished, till it now amounts to less than

£10 per head of population. Instead of recognising this fact, we have made more and more sacrifices to the fetish of foreign trade. We struggled back to the Gold Standard in 1925, only to find it untenable six years later. To placate the Free Trade school of thought we adhered to Free Trade long after it had ceased to be workable, and thus favoured the foreigner at the expense of the home producer. We made the import trade a favoured and sheltered industry. As a result we were obliged to watch employers, in their struggle to remain on a competitive basis with the import trade, lower wages as far as possible, and to put thousands out of work through their schemes of 'rationalisation.' They were told that the way to prosperity was through the lowering of wages and prices.

An endless series of almost fruitless international conferences must surely have taught us what we should have recognised long ago: that every nation of importance has set its heart on attaining self-sufficiency, and that the tariffs and trade restrictions against which we inveigh so often are not merely the outcome of pigheadedness or temporary madness; they are the practical expression of a world-wide ideal. It is thus evident that all our efforts to achieve international co-operation in economic and monetary matters on orthodox lines, however praiseworthy they may be, will do little to restore to us our lost foreign markets. And it must be remarked that the benefits derived by our exporters from the much-vaunted trade-treaties seem to be quite disproportionate to the concessions

made at the expense of home and Empire food-producers. The prosperity of world trade, like disarmament and world peace, will follow when each nation is able to obtain a real economic security and prosperity based on the principles of distributive justice—and not before. The order of precedence is clearly marked out.

All the older 'industrial' countries, with the exception of our own, have long sought to preserve their national balance by protecting their agriculturists from the competition of food imports. All the newer 'agricultural' countries seek to give their growing populations greater variety of employment, and to widen their national basis, by manufacturing the raw materials which they would otherwise have to export. 'Economic nationalism' may be a nightmare to the theoretical economist, but it is a living thing nevertheless, and he is a bold man who prophesies its early demise. Even our own Dominions, whose loyalty to the Mother Country is unquestioned, made it quite clear at the recent Ottawa Conference that they were not prepared to sacrifice their own manufactures in order to provide markets for ours. In other words, they preferred THEIR conception of national self-sufficiency to OUR conception of Imperial trade.

Since we cannot force our manufactures on unwilling customers, and as unilateral efforts to restore world trade are by themselves about as useful as unilateral disarmament, would it not be as well to explore more fully the possibilities of the home market? Since we can no longer ask Lancashire

mill hands to accept low wages in order to sell cheap loin-cloths to the Hindu peasants, let us try the effect of enabling our own agriculturists to buy more shirts. The adoption of the Central Reserve Standard would give to farmers and their employees the new purchasing power they need, and this would in a large measure provide industry with an increased market for its goods at home, and to a more assured extent than it can obtain abroad. 'The capital, therefore, employed in the home trade of any country will generally give encouragement and support to a greater quantity of productive labour in that country, and increase the value of its annual produce more than an equal capital employed in the foreign trade of consumption.'¹ 'In seeking for employment to a capital, manufactures are, upon equal or nearly equal profits, naturally preferred to foreign commerce, for the same reason that agriculture is naturally preferred to manufactures. As the capital of the landlord or farmer is more secure than that of the manufacturer, so the capital of the manufacturer, being at all times more within his view and command, is more secure than that of the foreign merchant.'²

Those who fear that the substitution of internal for external trade will mean a lowering of the standard of living and a return to 'peasant level' need have no cause for alarm. A community of 45 million people, well equipped for production, and possessing a fertile soil, an equable climate, and

¹ Adam Smith, *Wealth of Nations*, Vol. I, Book II, Ch. V, p. 346.

² *Ibid.*, Vol. I, Book III, Ch. I, p. 358.

considerable natural resources, need not be afraid of 'taking in its own washing,' provided always that a fair and efficient medium of exchange exists—which lies to hand in the Central Reserve Standard.

But in any case there are no grounds for believing that the revival of home agriculture would extinguish our external trade, though it would undoubtedly affect its nature and its relative importance. The following points should be borne in mind by those who fear the effects of a forward agricultural policy on our shipping industry and legitimate trading interests:

(a) Much of our present huge volume of imports is due, not to a correspondingly huge volume of exports, but to the existence of devalued currencies abroad, many of which are anchored to sterling; and to the almost superhuman efforts of our overseas debtors to meet debt-charges in terms of low-priced commodities and deflated currencies. The purchasing power of our overseas investments has in some cases been inflated to an even greater extent than the purchasing power of our internal debt, thus laying an intolerable burden on overseas producers and creating unfair competition for home producers.

(b) A substantial percentage of our imports represents commodities 'dumped' or jettisoned here regardless of market conditions by countries which seek to maintain their internal price-levels by getting rid of their surpluses. This practice also could be stopped through the mechanism of the Central Reserve Standard if it were adopted.

(c) Agriculture itself is a large consumer of imported raw materials. In 1933 imports of

feeding-stuffs amounted to £6 million, and of phosphatic fertilisers £500,000. Any intensification of farming will necessitate larger imports of raw materials; and since the VOLUME of these materials may well exceed the volume of finished products which they will replace,¹ more instead of less employment is likely to be found for our ships and docks. Moreover, the stimulation given to manufactures is bound to lead indirectly to an increased importation of raw materials for industry.

(d) There are many agricultural products of tropical origin, such as oranges, bananas, tea, and coffee, which we obviously cannot produce at home. Moreover, though we could in an emergency just feed ourselves, it is quite unlikely that we should normally attempt such an extreme course. There will therefore be deficiencies in our home supply of cereals, sugar, and meat, to be made good by imports. The latter should supplement home production and not replace it.

(e) While the supply of currency is restricted it is necessary to buy in the cheapest market in order to make low wages spread as far as possible. But when currency is expanded to suit the needs of production and consumption, this maxim will no longer hold good.

It will thus be seen that the development of our home agriculture is by no means antagonistic to our external trade; in fact, by providing the manufacturer with a secure home market, it would place him in a

¹ E.g. 4 lb. of feeding-stuff are required to produce 1 lb. of pig-meat; and 5 lb. to produce 1 lb. of eggs.

better position to compete in foreign markets. Likewise, by giving to consumers, including agriculturists, an increased purchasing power, our merchant traders would be in a better position to increase the imports of those commodities which cannot be produced in this country, so enabling the manufacturing industries to increase their exports to balance. This conforms to the theme that international trade SHOULD BE CONFINED TO ITS PROPER FUNCTION, NAMELY, THE EXCHANGE OF EXPORTABLE SURPLUSES AND SERVICES. Apart from all other considerations, Britain would, in a purely commercial sense, stand to gain far more than she could lose by an intensive development of her agricultural industry.

CHAPTER IV

AGRICULTURE'S PLACE IN THE NATIONAL ECONOMIC STRUCTURE

BESIDES its obvious value as a market for manufactures, home agriculture possesses many other features of sufficient importance to justify most fully a vigorous policy of expansion. The more outstanding of these features are:

(a) The soil is the agency through which God provides man with his daily food. Apart from all other considerations, it is fundamentally desirable that we should look first to our own soil for our material nourishment. Under the Central Reserve Standard the wealth produced by our own soil would be a free gift to the nation whatever the 'cost' of producing it might be.

(b) Agricultural produce is real wealth in the sense that it can never be dispensed with or outdated; it will always be essential to human existence. As all values disappear at starvation point the wealth produced by agriculture may be regarded as the surest foundation for a currency system. It is so regarded under the Central Reserve Standard.

(c) One of the root causes of our present troubles is that the road between the producer and the consumer is too long and is beset by too many toll-gatherers. The more food we produce at home the shorter is this road, and the better able we are

to ensure that the toll-gatherers are neither too numerous nor too rapacious.

(*d*) Despite the advance made in the science of food preservation, it is undeniable that fresh food is superior from the viewpoint of nutrition. The greatest needs in our national dietary are milk and fresh vegetables, and to some extent meat; these foods are at their best only when fresh, i.e. home-grown.

(*e*) Agriculture is capable of enormous expansion without the need for finding overseas markets. Even in the case of products which are already wholly or mainly supplied from home sources, e.g. liquid milk and potatoes, 'surpluses' could be dealt with by proper organisation for processing and preserving.

(*f*) Agriculture offers an enormous home market for manufactures, services, fuel, and power. Even at the present time it comprises well over a million bread-winners with an annual output of nearly £200 million. Money spent on home produce comes back into circulation almost at once.

(*g*) Agriculture is capable of absorbing directly a large number of workers. Given a reasonable incentive to production, it would not be difficult to find work for at least 15 more bread-winners per 1,000 acres of crops and grass, say, 450,000; the subdivision of land through the process of creating more small-holdings would probably provide for another 50,000; while land-reclamation, which would once more become possible under the Central Reserve Standard, would absorb many thousands of

the now unemployed until these could find their way back into regular occupations. A large increase in employment would also be effected in other industries through the increased demand for fertilisers, machinery, transport, etc.

Sanguine estimates put the potential absorption of labour at a million directly on the land, and another million indirectly; but it would be most unwise to count on such sensational figures; it must be remembered that labour-saving methods and machinery are constantly being brought into use, and it would clearly be a retrograde step to discard these in order to create artificial employment. The most effective means of maintaining rural population is to keep farm-units relatively small; when prices have been restored to an economic level, 200 acres of first-class land (or its equivalent) should be regarded as the maximum size.

(*h*) Agriculture also offers a fresh field for the investment of national savings. True, it is never likely to pay big dividends, but it has some claim to be regarded as a gilt-edged investment. Land cannot be destroyed, nor will food ever cease to be wanted.

(*i*) Agriculture can be regarded as a human reservoir, supplying industry and commerce with recruits of good physique. Though urban life need not be unhealthy under modern conditions, there is no doubt that it does impose a strain on the human system: and interchange of personnel between town and country is a practical means of overcoming this defect.

(j) In an age of machinery and impersonal organisation, agriculture remains the last sanctuary of the skilled manual craftsman and the individual producer. The qualities represented by these are of such intrinsic value, and are so characteristic of our race, that they are well worth preservation. Agriculture is the one big industry which can offer a livelihood to men of independent spirit and creative instincts.

(k) In a time of national emergency, a vigorous agriculture could provide maintenance for our whole population. One need not be a militarist to realise that such an emergency is always possible. Just as an increase in home-grown supplies of food would lessen our vulnerability to attacks by sea, so would the greater diffusion of our population lessen our vulnerability to attacks by air.

CHAPTER V

AGRICULTURE'S CAPACITY TO EXPAND

It is a commonplace of everyday life that a man absorbed in his own particular problem tends to become insensible to all other matters. In the same way, Britain has been so preoccupied with her external trade, and the serious obstacles which it now encounters, that she has overlooked the possibilities of her still more important internal trade. The statement has been so often made that we cannot feed ourselves, and must always depend upon imported supplies, that many people have come to take it for granted that home-grown food supplies are a permanently negligible factor. This is a gross misconception, and should be exposed as such. If we cannot feed ourselves, it is mainly, if not entirely, because we have never tried to do so.

Such great strides have been made during the last few decades in the science and practice of agriculture that it now seems physically possible we could extract the whole of our food from our own soil if the necessity ever arose. This might not be economically desirable, but it cannot be too strongly emphasised that BRITISH AGRICULTURE IS CAPABLE OF A GREAT AND RAPID EXPANSION, and that THIS EXPANSION WOULD BE QUITE THE BEST, INDEED THE ONLY, WAY OF FILLING THE GAP LEFT BY THE SHRINKAGE OF OUR EXPORT TRADE.

No agriculturist who has travelled beyond our

shores will deny that in our fertile soils and equable climate, in our relative immunity from crop and stock diseases, and in the high degree of technical skill possessed by our farmers and workers, we have great natural assets which are nowhere surpassed, and nowhere so neglected. This state of affairs arises from the fact that under our present system marginal profits must be earned in terms of gold money, so that only the best land is fully farmed, and only the cheapest methods employed.

There is ample evidence to indicate that a 25 per cent. increase in production could be obtained within the space of two seasons simply by the more liberal use of fertilisers and feeding-stuffs. A return of confidence, coupled with the release of credit, would soon lead to the reclamation of many farms now semi-derelict, and to the restoration to the plough of some of the six million acres which have been lost since 1871; in this case the increase in productivity would be from 100 to 200 per cent. or more. A still further stage would be the reclamation of land now wholly unproductive, such as swamps and heaths; this work would absorb much labour now classed as permanently unemployed, and at the same time be of genuinely productive nature, though at present quite 'uneconomic.' It is noteworthy that other nations have persisted steadily with the policy of land-reclamation, which to all practical intents was abandoned in this country sixty years ago.

The human factor, of course, requires to be taken into consideration. Agricultural production in Great Britain is in the hands of about 350,000

farmers and small-holders, exclusive of paid employees; and there is obviously the psychological question as to how all these would respond to the stimuli of assured markets and liberal credit. There need, however, be no apprehension on this point.

Primarily, the agriculturist is a man of caution, for he knows that he must pay dearly for his mistakes. Once embarked on a policy of expansion, he cannot abandon it without serious loss. Not for him are the rapid changes in volume and character of output to which manufacturers resort in order to take full advantage of markets; his plans may take years to come to fruition, and all the time he must carry the risk and financial responsibility himself, for he has no shareholders to do it for him. Generations of contact with ruthless Nature, with a fickle climate, with unorganised markets, and with an electorate which seldom spares him a thought, have bred in him a spirit of caution which is frequently, but wrongly, mistaken for pessimism.

For if the farmer is necessarily a man of caution, he is also a persistent optimist; just as Nature has taught him never to expect too much, so she has taught him that spring follows ever on the heels of winter, that next season MAY always be more abundant than the last. No one who has seen his dormant fields spring to life each April, and his flocks and herds bring forth their increase, can ever be without faith. The farmer, too, equally with his labourers, is a creative artist, each regarding his daily task not merely as a means to an end but as an end in itself, and taking an instinctive pride in

getting the best out of land and stock. No policy could be more popular among the rank and file of the farming community than one which would give free rein to productive enterprise.

It has been said, with some degree of truth, that 'farmers don't need to back horses'; undoubtedly, under our present system agriculture is far too much of a gamble to play its rightful part as a producer of wealth and a source of healthful employment. But of the two great gambles which determine the fortunes of the agriculturist, namely the weather and markets, the latter is certainly the more difficult to cope with. So that if markets could be stabilised at a decently remunerative level, as they would be under the Central Reserve Standard, the greatest obstacle to enterprise would be removed, and farmers would respond to the call for greater production and increased employment.

Proof of this is not far to seek. The first assured market which farmers have ever been offered (apart from the abnormal War period) is the sugar-beet contract; in 1934 they grew over 400,000 acres of this highly specialised crop, which was practically unknown in this country ten years ago. The second assured market was for wheat, as provided by the Wheat Act of 1932; the result was an increase in the wheat-acreage of 29 per cent. in the first year, notwithstanding a difficult sowing season, and 1934 has shown a further increase of 6 per cent. Similarly with pigs; the stabilisation of this notoriously fickle market has given an immense stimulus to production all over the country. It should be

noted that the prices fixed for these commodities do not represent large profits to the grower; the point is they are ASSURED.

Then again the producers' vote in favour of the new marketing schemes has in each case exceeded the most sanguine hopes of the promoters. This is not due to any enthusiasm for the principle of co-operation, which has in fact long been preached to farmers, but to the fact that regulation of imports could be attained only by the concurrent regulation of internal marketing. If agriculturists will thus respond to proposals which are mainly of a restrictive nature, is there any reason to doubt their willingness to support a policy which by increasing consumption would give greater scope to production?

Once the principle of agricultural expansion is accepted it will be found that attention need not be directed exclusively towards food production, since there are several other commodities which can be grown in this country if the right economic atmosphere is created. The coarser types of tobacco, for instance, have long been grown in the south of England, but production has always been discouraged by the excise authorities, owing to the higher rate of duty on imported tobacco, and the lower cost and greater ease of collecting it. This policy should be reversed at once, and every effort made, by financing research work and providing credit facilities, to build up an industry which is capable of providing an enormous amount of healthy work on a relatively small area of land. The same applies to industrial alcohol, which can be produced

without any difficulty from surplus potatoes and cereals; whatever would be lost in immediate revenue would be repaid many times within the course of a few years. It is no wild flight of fancy to foresee in the potato-fields of the Fens a serious rival to the coal-fields of Yorkshire as a source of home-grown motor spirit.

Again, flax and other fibres have great possibilities as a source of rural employment. But so long as the promotion of these enterprises is left to the tender mercies of vested interests, it is not likely that they will be allowed to become rivals of the imported article. Provision must be made for nursing them through the experimental stage until it can be seen how far they are likely to become a national asset.

Assuming, as a first instalment, a 25 per cent. rise in agricultural prices (which would not seriously affect the cost of living) plus the return of confidence and the provision of the requisite purchasing power as advocated by Mr. Peddie, the 25 per cent. increase in output already referred to would be achieved within the space of a couple of years. If the current value of agricultural output be taken to be £200 million (probably an under-estimate), the increase resulting from these two factors would be £112.5 million; and since practically the whole of this sum, either directly or through the medium of wages, would be spent in this country, WE SHOULD GAIN TRADE EQUAL IN VALUE TO ONE-THIRD OF OUR CURRENT EXPORTS.

THE BRITISH FARMER SPENDS IN THIS

COUNTRY FOUR-FIFTHS AS MUCH AS THE WHOLE OF THE REST OF THE EMPIRE COMBINED, OR A SUM EQUAL TO 55 PER CENT. OF OUR TOTAL EXPORTS. Unquestionably he is the best customer that our industrialists possess, and they should be reminded that any increase in his purchasing power is to their direct advantage. Cheap food may be dearly bought.

CHAPTER VI

AGRICULTURE'S NEED FOR SPECIAL CONSIDERATION

IT is always a little difficult for the townsman to appreciate the fact that agriculture labours under several disabilities which other industries do not have to face, or to realise that farming cannot be treated altogether along precise mechanical lines. On the other hand, the countryman is not only unable to express these disabilities in stating his case, but is apt to assume that others see them as clearly as he does. Thus there is a good deal of mutual misunderstanding.

The fundamental difference between agriculture and manufacturing or trade is that natural forces play a dominant part. In the one sphere, man must work in co-operation with Nature: in the other, he is in almost complete control. This important difference takes effect in the following ways:

(a) The volume of agricultural production is highly variable and largely uncontrollable. Agriculture is a universal industry; consequently many nations have surpluses of varying dimensions for export. It is impossible to control the energies of millions of agriculturists scattered over the face of the globe; hence the complete regulation of production presents insuperable difficulties.

Even if world-wide control COULD be enforced, natural factors would still upset calculations. A

drought in Australia, a hail-storm in Canada, a wet summer in Europe, may alter the whole situation in a short space of time. Even in our own equable climate it is estimated that the output of potatoes depends far more upon weather conditions than on the acreage planted, though the latter itself varies considerably. Any attempt to adjust supplies to the requirements of the market is beset with difficulties over which producers have very little control.

(b) At the same time, the demand for agricultural commodities, that is to say food and certain raw materials, tends to be somewhat inelastic. It is, of course, perfectly true that there are at the present time, even in Britain, millions of people who would gladly increase their consumption of food and clothing if they had the means to do so; they would, moreover, exchange much of the cheap imported food which they now consume for the higher-priced home-grown produce. But once their appetites had been satisfied, no degree of prosperity could induce consumers to eat more food; their purchasing power would then be diverted to other requirements, such as furniture, entertainments, and luxuries. So that it can be said that although any increase in the general level of prosperity must benefit the agriculturist, his market is limited ultimately by the capacity of the human stomach.

The point to be borne in mind is that while the manufacturer can control his output, and (by adjusting prices) largely control his market also with a view to earning a maximum margin of net

profit, the farmer has to take his chance with a relatively uncontrollable output and a relatively uncontrollable market. Generally speaking, food production tends to outstrip food consumption, so that surpluses tend to occur. This is, of a certainty, God's provision for His people, so that a year of bad harvest may not leave them destitute. Nevertheless, as things are, all surpluses become an embarrassment to the producer, and the community must assist him to dispose of them in such a way that prices are not forced down below costs of production. If the principle be accepted that food, being the first essential to human life, must never be allowed to become scarce, the corollary must also be accepted, namely that producers of food must in some measure be protected from the unrestricted application of the Law of Supply and Demand, or, more correctly, the implications of the Quantity Theory of Money.

(c) Agriculture is handicapped in that the speed of its processes is inevitably geared down to the speed of natural processes, germination, gestation, growth, and maturity. This affects the producer's economic position in two ways, (i) he cannot adjust his methods with sufficient rapidity to take advantage of changing market conditions, and (ii) his financial turnover is necessarily slow.

Generally speaking, the cycle of agricultural production occupies a full year, sometimes more, occasionally less. This means that the agriculturist must take greater risks than the manufacturer or trader in planning his production, and carry his risks

for a longer period; he also requires more extensive credit.

This 'time-lag' also applies to improvements in technique, and is the real reason for much of the 'conservatism' of which agriculture is often accused. The breeding, testing, and dissemination of a new crop variety, or of an improved strain in cattle, may occupy fully ten years; and even a comparatively simple introduction, such as a new fertiliser or piece of machinery, requires a trial extending over several years before its value can be assessed with anything approaching accuracy.

(*d*) Agriculture is a primitive industry, and experience indicates that it is best conducted on relatively primitive lines, that is in units sufficiently small to be personally controlled by one man. From certain points of view this characteristic is an advantage, but it does preclude the application of large-scale organisation and mechanisation such as have lowered working costs in other industries.

(*e*) Agriculture is subject to the Law of Diminishing Returns. In almost all other industries the Law of Increasing Returns alone applies; each increase in production brings about a corresponding decrease in cost of production (per unit), owing to the wider spread of overhead costs. But the agriculturist obtains increasing returns only up to a certain point, which of course varies, not only from field to field and from animal to animal, but from season to season. Once this cross-over point has been reached, the value of each successive increase in yield is exceeded by the cost of obtaining it.

This ratio of value to cost widens progressively, till a point is reached at which total costs exceed total returns and swallow up any profit which might have been obtainable at the rate of production established at the cross-over point. Incidentally, risks increase even more rapidly than costs; for instance, a heavily manured crop is much more liable to damage by disease or by weather than one which has had only a moderate dressing.

It is clear, then, that 'mass-production' economics are not wholly applicable to agriculture. Given an expanding market, manufacturers can lower prices without reducing wages or profits; but the farmer, in theory at least, requires a higher price for his last bushel of wheat or last gallon of milk than for his first; in practice, the law of diminishing returns tends to be offset by other factors. There is no doubt, however, that if agricultural production is to be expanded to the extent which the national situation requires, the farmer will require some assurance that his extra outlay and effort will be adequately rewarded.

CHAPTER VII

MARKETING: THE FOOD PROBLEM AND ITS SOLUTION

SEVENTEEN years ago Britain had to face a food problem of great magnitude and urgency, namely the feeding of her troops in the field and her people at home in the face of the wholesale destruction of the merchant shipping on which she relied for the transport of supplies from overseas. This problem she solved, in part at least, by the expansion of her own agriculture.

To-day Britain has to face another food problem of equal magnitude and almost equal urgency, namely the restoration to economic health and strength of her farming industry without adversely influencing the food supply of the people. Cheap food is a very great asset to any nation, and has long been regarded as being peculiarly valuable to Britain; and though the present price of food must be regarded as being abnormally low, there is no doubt that any attempt to bring about a large increase in prices, without increasing consumers' incomes, would be fraught with very great difficulty.

But it is perfectly clear that farming cannot hold its own, let alone make progress, unless it receives enough for its products to meet all legitimate costs of production. And if by cheap food is meant the bankrupt prices which have recently prevailed, and

which bear no relation whatsoever to costs of production, then quite certainly the nation cannot have at the same time both cheap food AND a prosperous agriculture. There are, however, one or two aspects of the matter which justify a more hopeful view.

In the first place, cheapness is a purely relative term. In 1918 butter at 3s. 6d. a lb. was considered cheap; in 1934 better butter at 1s. a lb. is thought comparatively dear. The question as to whether a price is dear or not depends primarily upon the relationship which may exist at that particular moment of time between the volume of currency in circulation and the volume of goods available for consumption.

Producer and consumer alike must grasp the fundamental fact that the existing conflict of interests between them is a purely artificial state of affairs arising out of the operation of the Quantity Theory of Currency. The existing monetary system masks the simple truth that wages and prices are indissolubly connected, that the interests of consumers and producers are at bottom identical, that the more money there is circulating in the towns in the form of wages the more money there is available for the purchase of food; and conversely that the more money there is flowing into the farmer's bank account the more he spends on labour and on industrial products.

Under the Central Reserve Standard this truth would be given full effect, because CURRENCY, which is the machinery of production and consumption, would be expanded proportionately with the

volume of eligible business to be done, that is, with the needs of consumers, while FINANCIAL CREDIT, which is the machinery of non-productive speculation, would be strictly limited. Britain would then be able to find her economic salvation, not only in the exchange of surplus commodities with other nations, but in the even more desirable exchange of commodities between town and country. This, moreover, would take place without any exploitation of either consumer or producer, since prices would, on the average, tend to become stable at or near the cost of production. This, surely, is an infinitely sounder policy than attempts to raise artificially either prices or wages.

In the second place, it must be remembered that the price of food in this country is now largely dependent, in a purely fortuitous way, upon the arrival of supplies from other countries. Of recent years these supplies have tended to be greatly in excess of requirements, with disastrous results for producers; within a few years the tide may have set in the opposite direction, with equally disastrous results for consumers. When economists (and others) refer to 'over-production' they do not mean that the farmers of Britain are growing more food than the people of Britain can eat, but that the world as a whole is growing more food than its existing faulty economic and monetary systems will allow it to absorb, and since Britain is now practically the only open market left, the surplus supplies are diverted to her shores regardless of the state of the market. Has the British farmer any incentive to

increase his output, or to organise his marketing, so long as this state of affairs continues?

The gap between our total requirements in food and our home production is a wide one, and the home farmer has a just claim to be allowed to fill it before he is charged with 'over-production,' if only because he is a better source of trade. SOME of the money paid for imported food MAY be spent in this country, and so employ labour, but the WHOLE of the money paid for home-grown food MUST be spent here.

The extent of this 'gap' may be judged from the fact that before we could completely satisfy our own requirements in food we should need to grow an ADDITIONAL 5,900,000 acres of wheat and 1,400,000 acres of sugar-beet, and to maintain an ADDITIONAL 5,100,000 head of cattle, 4,700,000 dairy cows, 12,000,000 sheep, and 7,000,000 pigs, to say nothing of increases in minor products. To some extent this 'gap' could be filled by intensification, i.e. an increase in the output per acre and per animal, but on the other hand the food consumption per head of our people is clearly capable of some expansion, and would in fact be expanded under the Central Reserve Standard system. At any rate, it is obviously unreasonable to talk of 'over-production' so long as we are importing such vast quantities of food, a great deal of which is not offset by exports, and consequently is comparatively valueless from the viewpoint of trade.

The adoption of the Central Reserve Standard will itself bring about some reduction in food imports

by stopping the trade in money and re-establishing a proper balance of trade in commodities, i.e. goods against goods. This will at once relieve the pressure on our markets, and make it necessary as well as desirable for home agriculture to increase its output. Then again, under the code, wages will be raised, taxes lightened, and the currency expanded, so that more money will be available for the purchase of food.

But in view of the fact, already discussed, that agriculture must always face the problem of an elastic supply and a relatively inelastic demand, some further safeguard is needed in order that the producer may feel justified in going ahead with plans for increased output. There are no 'quick returns' in farming; processes are slow and cannot be speeded up; nothing short of complete security will give us the agricultural expansion which we need.

The proposals which follow are based on the assumption that the marketing of all major agricultural products will shortly become organised by producers themselves on the lines laid down by the Agricultural Marketing Acts of 1931 and 1933. These lines undoubtedly tend in the right direction, and we must recognise the good work done by Dr. Addison, Mr. Elliot and other leaders, and the very gratifying response shown by farmers in general to proposals which, a few years ago, would have been rejected without discussion. Collective marketing has become a necessity in a world which trades in large units, and does much to remove the inherent

weakness of the farmer's economic position; in fact, as strong a case can be made for co-operation in marketing as for individualism in production.

These marketing schemes are capable of performing very useful functions in eliminating waste and excess profit-taking between producer and consumer, in standardising products at a high level of quality, in advertising products and encouraging consumption, and in directing supplies to the quarter in which demand is strongest. Moreover, no Government can be expected to take effective action against excessive imports unless it has accurate information as to the volume and nature of home supplies.

But any marketing organisation which comes into existence during a period of deflation, depression, and low prices, must expect to meet with grave difficulties. Consumers are inclined to see in it a new source of 'exploitation,' while producers look to it as a medium for the raising of prices, both of which are mistaken views. While currency remains restricted, no marketing board can put more money in the housewife's purse; the most it can do is to raise prices artificially by restricting supplies, so that her money is not spread over so many units of produce. But restriction is a counsel of despair, which can do very little to help the producer to carry his burdens; it is certainly incompatible with agricultural expansion. Moreover, there is always the danger that the resentment of the consumer may be roused. Just now agriculture seems to be rising from the welter of party politics to the healthier

sphere of a national responsibility. It would be a thousand pities if misguided enthusiasm, blind to the real cause of low prices, were to recreate a spirit of 'class warfare' between producer and consumer. 'Orderly Marketing' cannot, by itself, restore prosperity.

But once a sound monetary policy has been established under the Central Reserve Standard, marketing boards will be free to fulfil their legitimate functions, as already outlined. They should then extend their sphere of activity to cover the whole field of marketing between producer and wholesale distributor, including the collecting, grading, and processing of all agricultural produce. This should be done either by co-operation with those now carrying out these functions, as in the case of the National Mark egg-packing stations, and the new bacon scheme, or by the creation of producer-owned depots and factories.

These depots and factories are a vital link in the chain of food production—in fact, they may be regarded as one of the solutions of the food problem. The consuming public are coming more and more to demand processed food, whether it be bottled milk, boneless meat, chipped potatoes, or carton cheese; thus more and more power accrues to those who own the processing machinery.¹ It is full time that this machinery was controlled by the producers.

¹ A good example of this is to be seen in the case of carton cheeses, which sell at approximately 1s. a carton, or 4s. a lb. The gallon of milk required to make this pound of cheese is bought as 'surplus' at prices ranging from 7½d.

The following proposals cover some of the main products:

Milk. The demand for 'safe' milk is growing rapidly, and the practice of bulking milk before testing, as adopted by the larger distributive firms, is a complete bar to progress towards meeting this demand. ALL milk should go to a local depot owned by the Board, where it can first be sampled for bacterial content and butter-fat; the producer can then be paid on the real value of his milk. The best quality milk should be used for liquid consumption, after pasteurisation if this is thought necessary;† it could either be bottled on the spot, or dispatched loose to the distributor. The lower-grade milk should be converted by the Board into butter, cream, cheese, or tinned milk, or sold to a private manufacturer. In the case of butter or cream, it is quite unnecessary for the producer to send whole milk; he should separate at home, and feed his own skim to calves and pigs. In outlying districts this system has much to recommend it, as transport charges are much reduced and the rearing of stock encouraged.

Meat. Small private slaughterhouses are quite out of date except in the remoter villages. Here again, everything should pass through a producer-controlled depot—in this case, a fully equipped abattoir, capable of utilising not only the better

† Pasteurisation is necessary at present only because a certain proportion of the milk entering the bulk has a high bacteriological content. Payment by grade will provide a much needed incentive to the production of cleaner milk, and should in time render pasteurisation unnecessary.

grades of meat, but also inferior carcasses and by-products. Inevitably, the annual wastage from breeding stocks results in the marketing of hundreds of thousands of 'rough' animals; at present these are bought at ridiculous prices by dealers and a certain type of butcher, but under a proper system they could be removed altogether from the meat trade and profitably converted into tallow, fertiliser, meat extract, etc. The unregulated consignment of fat stock being undesirable, all supplies should be bought on the farm¹ by agents of the Meat Board,² which would thus be in a position to feed the distributive trade as required and with a minimum of marketing expense. The butcher would become a distributor only.

Corn. The corn trade has always enjoyed a reputation for efficiency and moderate profits. Nevertheless, maldistribution does occur, and it will be best if the same principle as in the case of milk and meat is followed. The Grain Board's agent should regularly visit each farm to arrange for the supplies needed by millers, maltsters, etc., and these supplies should be consigned direct. Grain used for feeding might be left in the hands of merchants.

Potatoes, Vegetables, etc. Larger growers should be allowed to consign direct to distributors in order to avoid delay, but only in conformity with the

¹ Auction markets would, of course, be maintained for store stock, i.e. inter-producer transactions.

² On weight and grade, as is already being done under voluntary schemes organised by the Ministry of Agriculture.

Board's regulations as to grading and price; dumping and price-cutting would be forbidden. Collecting and grading depots should be set up to deal with small ungraded consignments from the smaller growers, and to utilise stuff unsuitable for immediate consumption or surplus to immediate requirements.

These proposals may not be regarded with favour by some farmers, especially those who still cherish the belief that they can drive a better bargain for themselves than anyone else can. But this belief has had some rude shocks in recent years, and the need for collective marketing becomes more apparent every day. The end of all production is consumption, and if the modern consumer demands a highly organised system of food processing and food distribution, the producer will be well advised to attend to the business himself through his own organisation instead of allowing other interests to control the bridge between himself and the consumer. He should not begrudge any reasonable outlay on the services of marketing experts acting on his behalf.

The further this organisation is carried the more possible does it become for the Government to safeguard the food producer's market. In the past, whenever the farmer has asked for tariffs he has always been told that his demands could not be granted without jeopardising the food supply of the people. But if the home producer, or better still the home and Empire producers together, can definitely undertake to furnish certain supplies, the

balance then required to complete the nation's requirements can be estimated with some degree of accuracy, and imports can be restricted to this amount without introducing any risk of scarcity.

It should therefore be laid down that when the home and Empire producers of any given commodity can guarantee over any given period the whole, or a substantial proportion, of the national requirements in that commodity, the imports of it from foreign sources should be prohibited or proportionately restricted as the case may be.

This provision is needed to provide that sense of security without which agricultural expansion, for the reasons set out in Chapter VI, will be extraordinarily difficult to bring about. It will remove from the country the fear of the foreigner without imposing upon the towns the fear of famine.

CHAPTER VIII

AGRICULTURAL CREDIT

It is perfectly obvious to anyone connected with the industry that even when better times come, and increased production is justified, agriculture will be financially unable to take full advantage of the improved prospects, for the good reason that both permanent and working capital have been severely depleted by years of depression. The existing monetary machine has not only brought the farmer's income down to a perilously low level, but has used the insecurity thus created as an excuse for withholding credits genuinely needed for production purposes. By reason of his slow turn-over, the farmer requires more financial accommodation than most; he receives less.

It is indeed a strange world in which £100 of Government Debt, contracted for waging a wealth-destroying war, or for maintaining able-bodied persons in idleness, is considered better security for credit purposes than £500 of wealth-creative crops and live stock, from the turn-over of which at a profit it is alone possible to redeem the Government Debt. Not until credit, in the shape of currency, flows freely into the channels of production will the nation be able to shake off the 'dead weight' of debt and enjoy the abundance which is awaiting distribution.

Generally speaking, agricultural capital can be

divided into two classes, permanent or 'landlord's' capital, and working or 'tenant's' capital. The former includes the land itself and (which is far more important) the improvements which have been made to it (clearing, draining, etc.) together with such fixed equipment as buildings, roads, fences, and water-supply. Though the maintenance of this capital obviously has an important indirect influence on the welfare of farming, it only concerns farmers directly when they themselves own the land they farm, as about a third of them do now. The bulk of this class of capital is provided by landlords who do not farm the land themselves but receive interest for the use of it in the shape of rent.

The position in regard to landlord's capital is even now quite serious. Those farmers who bought their land between 1919 and 1925 at the relatively high values then prevailing have for the most part found the commodity prices prevailing in recent years quite inadequate to meet their fixed charges of mortgage-interest and tithe, and have in consequence gone under. Even the non-farming landlords, who generally have other resources to draw upon, have had the greatest difficulty in maintaining their estates in an efficient manner because expenses have become disproportionate to their rents,¹ and heavy death duties have to be provided for.

If agricultural expansion is to take place, new capital will certainly have to be found, since most

¹ It was estimated in 1929 that the average rent represented a return of $2\frac{1}{2}$ per cent. only on the value of improvements, nothing at all being allowed for the use of the land itself.

farms will need additional equipment, to say nothing of repairs, which have fallen sadly in arrears. Moreover, if farmers are to be encouraged to acquire the ownership of their holdings, they will undoubtedly have to borrow almost the whole of the capital involved. To meet this situation an AGRICULTURAL LAND BANK must be created; this Bank will confine itself exclusively to financing the purchase and equipment of agricultural land for productive purposes.

But if the position in regard to landlord's capital is serious, the problem of working credits is acute. Years of low prices have not only dissipated whatever reserves farmers had accumulated prior to 1925, but have seriously impaired their credit-worthiness in the eyes of bankers. Generally speaking, it is not the banks who carry farmers through periods of depression. Their policy is to withhold credit whenever the farmer's own personal margin is reduced, that is, at a time when he most needs assistance. This may be the correct policy for the commercial bank to pursue while the present orthodox system continues, but it is quite disastrous for the farmer.

The farmer's real bankers, under the present system, are the merchants with whom he deals, and to a less extent his landlord and the live stock auctioneers. It is to the credit of these people, who have to increase their own liabilities in order to assist their clients, that they have rarely exploited a situation which obviously lends itself to exploitation. And the reason why so few farmers have

availed themselves of the short-term credit facilities provided by Part II of the Agricultural Credits Act, is that they would have to forgo these merchant credits in order to give a charge to a bank which would be a much less sympathetic creditor. The position is an unsound one, for though merchant credit obviously has its uses, no farmer can buy and sell to advantage while his hands are tied by trade debts. The right solution is an AGRICULTURAL DISCOUNT BANK, which will make advances to farmers, for strictly productive purposes, on the security of nine months' bills. Such bills would form the main backing for the currency note issues; they would gradually replace the Government securities which now form the main backing, and so would effectively increase the consumers' purchasing power to the extent necessary to ensure a strong consumers' market for the farmer's products.

Now it may quite well be argued, first that to give agriculturists more credit at a time when they are already in financial difficulties is simply to push them further into the slough of debt, and second that when the economic situation improves they will be able to obtain all the credit they need from sources already in existence. With the monetary system as constituted we can agree with the first argument, simply because the present system does not create the requisite consumers' purchasing power, necessary to bring all the consumable wealth produced during the year within the reach of consumers. With regard to the second argument, we cannot afford to wait until agriculture slowly struggles back

into a more credit-worthy position, which, as things are, may never occur. The 25 per cent. increase in output which has already been referred to as the first instalment of agricultural expansion would necessitate an outlay of many million pounds on wages and raw materials, and the greater part of this outlay would not be recoverable for a year at least; and not then unless a considerable increase of consumers' purchasing power was brought about. Therefore, before the producers could assume the liabilities above indicated they would have to be reasonably assured that they would be able to meet their long- and short-term commercial credits as they fell due. Neither the joint-stock banks nor the merchants are in a position to provide the machinery that is needed.

The gulf between producers and the banks is now a wide one. Farmers seem to have lost the services of the old-fashioned country manager, with his sound knowledge of local agriculture and his considerable powers of discretion. The highly centralised modern bank, preoccupied with the trade in money and with international finance, has few contacts with a primitive industry such as agriculture, whose slow and uncertain processes it regards with distrust. It naturally prefers the short-term financial credits and the easily marketable securities of the City, and discounts heavily the assets which the farmer has to offer. Of course, personal overdrafts are common enough, but they are both inadequate and unsatisfactory as a basis for agricultural finance, especially during

periods of deflation. It is a fair assumption that the banking world is to-day more interested in promoting the marketability and liquidity of Government and other Trustee Securities than in a system for promoting the consumption of true wealth and its more equitable distribution, from which alone the nation can begin to redeem the securities with facility. This is the acid test of any national system.

The Agricultural Discount Bank here proposed would discount bills for the specific purpose of financing production and providing the necessary consumer's purchasing power, and it would require to be satisfied that the proceeds of discount were put to no other purpose than those specified at the time of borrowing. The Bank's representatives would require to have sufficient agricultural knowledge to keep themselves well informed on all points, and act not merely as bankers but as financial advisers to their clients; they would, of course, be able to consult the local Agricultural Authority whenever necessary. Farmers, for their part, would have to be prepared to lay all their cards on the table, to allow the Bank to inspect their holdings and their books, and to accept any advice which might be tendered to them. Provided that they acceded to these conditions, they would be allowed credit up to 80 per cent. of their prospective sales at a discount rate of $2\frac{1}{2}$ per cent., which is infinitely more liberal accommodation than they can obtain at present.

CHAPTER IX

INTERNAL ORGANISATION

To those outside the industry, and particularly to the pure economist, our existing agricultural structure must appear a weird conglomeration of anomalies conducted on antiquated, not to say feudal, lines. Scientific planning appears, on the surface at least, to be conspicuous by its absence. Most of the land is occupied by small capitalists renting from rather larger capitalists areas of from 50 to 300 acres, that is to say holdings which are too large for family farming and too small for the economic employment of up-to-date equipment and organisation. The rest of it is accounted for by a small number of large holdings, and a comparatively large number of lesser ones.

Production is equally diverse—intensive and extensive farming may be found cheek by jowl under apparently uniform conditions; and though it is usual to find one or two features common to a district, there is no avoiding the conclusion that British farming is 'mixed' to a degree. A 200-acre farm, for instance, very often produces ten or a dozen different commodities in the one season, and adjacent holdings may be run on totally different lines.

It is no wonder, then, that schemes of internal reorganisation are constantly being thrust upon agriculture by well-wishers who do not perhaps fully

appreciate its complexities. It is suggested, for instance, that small farms are unable to withstand modern conditions and must be merged into large units run on factory lines, with up-to-date machinery and specialist staffs. On the other hand, there are many advocates of small-holdings who take the Continental peasant as their model. While there is a modern tendency to regard specialisation, as distinct from mixed farming, as the road to salvation.

But there is some reason to think that once our monetary system has been placed on a sound footing, and an efficient system of collective marketing evolved, the production side can be trusted to work out its own salvation. This is not to say that no reforms are possible; if more people are to be placed on the land, and a greater output is to be obtained from it, many adjustments will be required. But these adjustments should be gradual, and must be made with due regard to local conditions. Any attempt to superimpose a standardised system, or systems, on a primitive and ancient industry such as agriculture, would be foredoomed to failure.

After all, the apparent anomalies are for the most part the outcome of centuries of experience, adapted to suit the extraordinary diversity of soil and climate found in this country, and to meet the needs of the many different classes found in the ranks of agriculturists. Mixed farming has certain advantages which cannot lightly be dismissed. Holdings of varying sizes are required in order to accommodate, not only producers of varying financial means and mental capacity, but the production of different

commodities. For instance, poultry, pigs, and vegetables are, on the whole, best suited to relatively small farms, while cereals and sheep can hardly be economically produced on holdings of less than 100 acres. Moreover, mixed farming does represent an attempt to make the best of local conditions, to conserve fertility, and to spread seasonal risks as widely as possible. It lends itself to the rotation of crops, the regular distribution of labour requirements throughout the year, and the control of pests and diseases.

It is, perhaps, worthy of note that even in those parts of the world where specialised farming is the rule, persistent efforts are made to encourage the development of mixed farming. In the wheat-belts of Canada and Australia, farmers have long been exhorted to divert some of their attention to live stock; while in the exclusively dairying districts of New Zealand there is now a tendency to broaden the basis of farming by developing pigs and poultry as sidelines. Moreover, it must be remembered that in the examples just quoted farming is closely associated with a bottle-necked export trade, which is peculiarly favourable to specialised agriculture, while the British farmer should have the advantage of an adjacent home market for all produce, an advantage which should not be sacrificed on the altar of standardisation.

It would be true wisdom to preserve (for the present at least) the complicated structure which has been built up by generations of practical men, modifying it, of course, wherever and whenever it

seems necessary. Until the disturbing influences of the last few years, British agriculture did manage to preserve some degree of balance between its component sections, and the first step towards the restoration of prosperity must be the readjustment of this balance. For instance, the present difficult position of the dairying industry is due very largely to the entry into the milk market of eastern farmers who are naturally and normally corn-growers and meat-producers, and of western farmers who are naturally and normally producers of butter and cheese and rearers of cattle. The continued conversion of arable land to pasture, which some have hailed as a natural and desirable process, has now had precisely that effect on the live stock industry which might have been predicted a few years ago. Such aids to arable farming as the Wheat Act, the sugar-beet subsidy, and the tariff on oats have their value not so much in the direct assistance which they give to arable farmers as in the indirect protection they afford to grassland farmers. Such aids are, however, best regarded as temporary expedients, to be replaced as soon as possible by a monetary system that will enable a fair market price to be paid for ALL produce.

The argument that corn-growing should not be encouraged in Britain, on the ground that we cannot compete with other countries, is patently absurd. Our average yield per acre is one of the highest in the world, and crop failure is almost unknown, evidence surely that there is nothing fundamentally wrong either with our climate or our methods. The

existing world surplus of cereals will not last indefinitely. It arises partly from the land-settlement drive of the post-War period, partly from the efforts of certain European countries to make themselves self-supporting in cereals by subsidising production, and restricting consumption. Low world prices are now tending to put many borderline producers out of business, and the artificial conditions now prevailing in Europe may be changed at any time. The present surplus may easily be replaced by a shortage which, if a bad world harvest occurred, might well be acute; and it would be a thousand pities if, in the meantime, we abandoned corn-growing on those large areas of land in the eastern and southern counties, which are by nature and their equipment better fitted for the cultivation of cereals than for any other type of agriculture.

CHAPTER X

THE AGRICULTURAL LADDER

ONE of the most frequently urged reforms is an increase in the number of small-holdings. As a matter of fact, 300,000, or more than two-thirds of the total number of farms in Britain, are of less than fifty acres. But the greater part of the available acreage is occupied by farms larger than this, and it cannot be said that small-holdings play as important a part in British agriculture as they do in Continental agriculture.¹ The distinctive feature of small-holdings, of course, is that they are worked by the occupier himself and his family without the assistance of regular wage-labour; and since a 40-acre fruit farm or market-garden may have a large wages bill, while a 400-acre sheep-farm may have none at all, the term 'family-farm' is really a much better definition than 'small-holding'; but since the latter is the term most generally used, it will be employed here.

Now there are many arguments used in favour of small-holdings, such as the undoubted fact that their output per acre is nearly always larger than that obtained from larger farms on similar land. But the main point is social rather than economic; they provide an independent livelihood and a direct

¹ Consideration must also be paid to the fact that many small-holdings, though returned as separate units, are in fact coalesced for working purposes, or added to a larger holding.

contact with the soil for the maximum number of persons. Moreover, these persons, being neither employers nor employees, and being also, to a large extent, self-supporting as regards food, enjoy a considerable degree of insulation from the sectional conflict which seems inseparable from modern life. The small-holder is, in fact, one of the most stable elements in the community, which is one reason why Continental countries have been at such pains to preserve and increase their peasantry. It is significant that a similar class forms the backbone of our white Dominions, though in this case the holdings are very much larger and are worked with the aid of machinery.

This argument is a weighty one, and has long attracted the support of liberal-minded persons; it may be said, with some measure of truth, that Britain would be in a far sounder position to-day had not her yeomen and crofters been destroyed by the money-making commercial policy of 100-150 years ago.¹ But we cannot re-create a peasantry simply by parcelling out land in small areas again; a limiting factor exists in the relative scarcity of men and women willing and able to live a small-holder's life. For if the small-holder is insulated from much of the strife which civilisation begets, he is also insulated from many of the benefits which it confers. His fixed charges for capital outlay are necessarily high because of the small area over which he can spread them; his buying and selling must be

¹ Notably the land enclosures, the rise of manufactures, and the growth of large industrial towns.

done on a small scale, wastefully and expensively; and he can make very little use of machinery. He must work long hours for a relatively small return; in fact, unremitting toil is the price of his independence. Though the adoption of the Central Reserve Standard would considerably lessen these disadvantages, nevertheless it must be admitted that the working conditions generally associated with small-holdings are somewhat incompatible with the modern ideal of high wages and shorter working hours.

Small-holdings have, however, another aspect, perhaps the most important one of all. They do provide the bottom rungs of the ladder by which men of the right type, but handicapped by lack of capital, may, slowly and painfully it is true, work their way upwards. Though stable enough in one sense of the word, the small-holder is seldom a permanency; either he finds the struggle too much for him and gives up, or else he accumulates sufficient capital and experience to take a farm. A small-holding is not, in fact, an end in itself but a means to an end.

A policy which recognises these important characteristics is, therefore, much to be preferred to any ambitious attempt at wholesale land settlement on small areas. The community, through the County Agricultural Authorities, should see to it that no one who has served an apprenticeship as an agricultural labourer[†] should be denied the opportunity

[†] Including, of course, foremen, bailiffs and farmers' sons, and certain classes of village craftsmen.

of striking out for themselves; no other applicants should be considered. Machinery for the transfer of applicants from one county to another should also be set up, since some areas are especially suitable for small-holdings, while others can be worked with success only in relatively large units. On no account should methods be stereotyped; small-holdings must vary in size and character according to local conditions.

Where an applicant who was considered suitable in all respects by the County Agricultural Authority was found to lack the capital which is necessary even for a small-holding, a special grant of £300 should be made from the Agricultural Development Fund. This loan would be free of interest for three years, but would then be charged at the rate of $3\frac{1}{2}$ per cent.; with this foundation to start from, the new small-holder should be able to obtain any further credit he required through the Agricultural Discount Bank. The expenditure under this head must be limited to £500,000 a year.

In this way it should be possible to overcome an obviously weak feature of British farming, namely the great difficulties which confront anyone desirous of taking up farming as a livelihood, unless he possesses a considerable sum by way of personal capital.¹ At present there is an appreciable amount of valuable man-power running to waste in the shape of trained but moneyless men; it is a matter of some importance that this man-power should be utilised,

¹ At present the working capital required varies from about £8 an acre for large farms up to £25 an acre or more for small-holdings.

since increased agricultural production must in this country be almost entirely the outcome of intensification; and intensification involves in many cases the subdivision of existing farms into smaller units, with a corresponding increase in the number of farmers. The lower rungs of the ladder must be made broad and easy of access.

CHAPTER XI

‘RATIONALISATION’

WHILE there is a large number, possibly a majority, of agricultural reformers who believe that agriculture has been attracted too far in the direction of capitalism, and would be strengthened by a return to more primitive conditions (i.e. small-holdings), there is now a school of thought which takes the opposite view, namely, that salvation is to be found in industrialisation, more particularly those phases now known as mechanisation and rationalisation. They point out that the mixed farm of relatively small extent is altogether too cramped a field for the full exploitation of specialised skill and modern machinery, and favour the extension of large fully mechanised units staffed by a few well-paid experts.

With economic conditions as they are, these proposals have certain merits. A mechanic operating a six-furrow tractor plough or combine-harvester is not only capable of earning a higher wage than a ploughman with a pair of horses: he is capable of growing food at a relatively low cost; and so long as it is necessary to ‘buy in the cheapest market,’ i.e. to make a restricted supply of currency go as far as possible, this consideration is important. Even the last Labour Government toyed with the idea of encouraging ‘large-scale farming.’

But this would be purely materialistic. It would make higher wages possible only by decreasing the

number deriving their livelihood from the soil. It would involve hardship to the existing rural community without conferring any corresponding benefit on the towns, and would not necessarily increase agricultural production; in fact the reverse might occur, since no enterprise which appeared to be 'uneconomic' would be undertaken. Its chief merit appears to lie in the fact that it might, if successful, render unnecessary the subsidies and import restrictions which are now required to protect agricultural interests.

Moreover, there is some reason to doubt the feasibility of the project. Big mechanised farms are no new thing; they were once fairly common in the Dominions and the United States, but disappeared before the advance of the small working farmer. There have been examples too in this country, but in nearly every case they have represented the effort of some practical farmer of exceptional ability who has slowly put acre to acre, experimenting as he went. The adventures of 'big business' into 'big farming' have, on the other hand, been uniformly unhappy; the administrative gifts which enable a man to amass a fortune in other spheres seem to lead him sadly astray when he tries to apply them to farming. The conclusion seems inevitable that, with a few rare exceptions, agriculture functions best in small units under close personal supervision. In homely language—'No man should occupy more land than he can walk over before breakfast.' The benefits of large-scale production are best applied through the medium of collective marketing.

There is, however, no reason why industrialised farming should not be given an extended trial on 'borderline' land, of which we have a good many thousand acres, lying for the most part in well-defined areas, such as the thin soils of the upper Cotswolds and chalk ranges, and the lighter heathy soils of East Anglia. When times are prosperous, and good farms command a premium, such land is occupied by farmers of limited resources, only to lapse again into a state of dereliction when prices fall; in other words, they cannot provide permanently a decent living for the individual agriculturist. On the other hand, they are open enough, dry enough, and cheap enough for large-scale farming without much preliminary work, and large-scale farming should, under safeguards,¹ be encouraged to find their economic salvation, whether it be mechanised corn-growing, open-air dairying or sheep-farming. In all other cases any tendency towards aggregation should be checked.

In regard to the suggested substitution of specialised production for mixed farming, there seems to be no case for any interference, other than such guidance as may be given to agriculturists through the C.A.A. Now that the former rigidity of tenancy agreements has disappeared, and artificial manures have imparted an element of elasticity into farming, there is a natural tendency among farmers to concentrate upon those lines of production which appear to them to be most remunerative. But

¹ The land to be available for subdivision into smaller units if at any time this became desirable.

because of the natural diversity of our farming conditions some degree of diversity in production seems to be not only inevitable but desirable. Agriculture is the last industry to which standardisation of production should be applied.

There is no real case for wholesale revision of our farming methods. Without the Central Reserve Standard none of the suggested reforms could be relied upon to bring about a more prosperous and more productive agricultural industry; with it, farming as now organised seems quite capable of responding fully to the needs of the situation. But this is not to say that the nation can afford to adopt a *laissez-faire* attitude. On the contrary, it must guide the rising tide of prosperity into desirable channels. National policy must not be obstructed by private interests, nor by that lack of co-ordination which always characterises an individualistic industry. This will be the main theme of the work to be undertaken by the County Agricultural Authorities.

CHAPTER XII

LAND TENURE

BRITISH agriculture is almost unique in that it has reached its modern stages of development on a tenancy basis. Here and there, it is true, the land-owning yeoman has survived the impact of Victorian capitalism, but it is no exaggeration to say that before the War an overwhelming proportion of farmers were tenants; and even to-day tenants outnumber freeholders by roughly two to one, a significant fact which must not be left out of consideration.

No one familiar with the history of British farming will be disposed to deny that our agriculture owes a great deal to the rural landlord. During the age of intense development between 1844 and 1874 it was he who provided the capital which reclaimed the waste and provided the drainage, fencing, buildings, and other permanent equipment which made the countryside what it is to-day. More than that, he also provided much of the initiative by bringing to general notice the latest developments in technique, and by insisting on sound farming practice among his tenants. Men like Coke of Norfolk (Lord Leicester) and the Dukes of Bedford were much more than mere rent-receivers; they were the leaders of agriculture at a time when it was just emerging from its primitive state. Subsequently, throughout the long years of depression,

farmers came to lean heavily on their landlords, who not only made reductions and remissions of rent, but in many cases assisted financially in the change-over to live stock farming which the decline of corn-growing involved.¹

The landlord is still a partner in the agricultural industry; most of the land and the permanent equipment on it belong to him; he pays most of the tithe and land-tax and a good proportion of the maintenance charges, e.g. repairs to buildings. As a partner, he too has suffered from the low price of agricultural commodities. It must be many years since rents represented more than a nominal return on capital invested, after outgoings have been met.

At the same time, it must be confessed that the landlord is no longer an ACTIVE partner; with a few exceptions he has ceased to be a leader, though still a provider of cheap capital. This is not altogether his own fault. Successive Agricultural Holdings Acts, while protecting the tenant from the rapacity of a bad landlord, have largely removed the influence which the good landlord once exercised; he has now very little control over his own property. Concurrently, the landlord has been called upon to bear a heavy load of taxation, the result being that in many cases he is unable to do his duty by the land. The contrast between a well-managed estate on which money has been wisely expended and to which a high standard of maintenance is applied, and one which has, by reason of poverty, the

¹ By erecting buildings and supplying pasture-seeds.

incidence of Estate Duty or neglect, been allowed to deteriorate, is quite as striking as the contrast between good and bad farming.

It will be seen that although the tenant system has worked well in the past, and is still functioning after a fashion to-day, it cannot be called an ideal state of affairs, and if there is to be an agricultural revival, there will be a strong case for an overhaul of the whole question of tenure. The suggestion that existing landlords will appropriate any benefits which may accrue to agriculture need not be taken seriously. Certainly they will be entitled to share in the return of prosperity, just as they have had to share in the years of depression; but as a class they are not given to profiteering, and still possess a strong tradition of public-spiritedness. Moreover, under the Agricultural Holdings Act, rents cannot be raised except by arbitration.

The real danger is that a period of rising prices may result in existing landlords being tempted to relieve themselves of their burdens and responsibilities by selling to the highest bidder. This happened to a considerable extent between 1919 and 1921, when many landlords, discouraged by War taxation and the loss of their heirs on the battlefield, took advantage of the brief boom to sell. Many former tenants were thus induced to purchase their holdings at prices which have subsequently proved excessive, and this class has undoubtedly been harder hit than any other by the depression. Unless this process is to be repeated, it will be necessary to give effect to the important principle

that AGRICULTURAL LAND IS NOT A SPECULATIVE COMMODITY.

Two alternatives to the tenant system have been suggested. The first is Nationalisation, or State-ownership, advocated by the Socialists on the grounds that 'the land belongs to the people,' that the 'unearned increment should belong to the community,' and that the State would thereby be able to exercise control over the agricultural industry. The first two considerations are purely hypothetical, and need not be taken seriously. What the community is really interested in is not the land itself but the agricultural wealth extracted from it, and the subsequent distribution of that wealth. The third objective is more practical, but it is arguable that it could be attained without creating a new public liability to the extent of not less than £800 millions. Unless rack-renting is to be practised¹—a procedure which hardly commends itself—the net rent remaining after administration and maintenance charges have been met is not likely to represent an attractive return on capital. On the other hand, the prospect of holding land under a Government elected by the urban vote is not very alluring to the agriculturist. Nationalisation has the merit of initial simplicity, but its ultimate complexities might be very great.

The other alternative is occupying ownership, that is to say, the conversion of tenant-farmers into freeholders. This is probably the ideal basis for land-tenure, since it is obviously desirable that the

¹ Rack-rent = the highest rent which land will bear.

ownership of real property should be distributed as widely as possible, and also that the farmer should own the soil which he tills. The same principle should be applied to urban land.

There are, of course, objections to this course also. Farmers themselves are by no means anxious, even in times of prosperity, to assume the responsibilities of ownership; as tenants they can spread their capital over a larger acreage, and are free to move about as they wish with no more trouble than the giving of a year's notice. At the present time their credit resources are so depleted as to make further commitments extremely difficult. Moreover, it must be admitted that the small landowner succumbs even more easily than the large landowner to the temptations of a quick profit. It would be most undesirable to give the farmer opportunities for speculation which would be denied to the landlord.

The right solution appears to be the creation of machinery for the gradual transference of ownership from the landlord to the occupier, with adequate safeguards to ensure proper utilisation and prevent speculation. To this end, County Land Commissions ought to be set up, similar in composition to the County Agricultural Authorities, with a Central Land Commission to determine general policy and act as a court of appeal. All sales of land would be abolished forthwith, whether by auction or private treaty. The Commissions would take over all land which the owners wish to sell, values being based on the average 1923-33 assessment for

income-tax; they would, moreover, also take over land which, in the opinion of the County Agricultural Authority, was not being managed in the best interests of agriculture.

Land thus acquired by the County Commissions would be retransferred to the former tenant, or tenants, at the same valuation, unless bad farming could be proved, the purchase price being spread over a period of fifty years. The Commission would have power to subdivide the holding for the purpose of creating new farms and small-holdings.¹ These new freeholds would be financed by the Agricultural Land Bank, and would be subject to the following conditions:

- (a) The purchase price to be spread over a period of fifty years.
- (b) No mortgaging except to the Agricultural Land Bank, which would provide all money required for improvements.
- (c) No transfer or letting without the approval of the County Land Commission.
- (d) Persistent bad farming to be penalised by the partial or complete resumption of the land by the County Land Commission.
- (e) Not more than 200 acres of first-class land, or its equivalent in inferior land, to be held by any one person.

¹ During a period of rising prices, every Commission would have a long waiting-list of applicants for holdings. It should be their policy to place all suitable applicants as rapidly as possible.

Any landowner who so wished could retain a part or the whole of his property, either farming it himself, or letting it as now. He would, however, have to keep the land in good order, and would not be allowed to raise rents above the average 1923-33 level, plus 4 per cent. on recent improvements, or to remove a tenant without the consent of the County Land Commission. In practice this would mean that only the better type of landlord with a genuine interest in agriculture would remain; the others would find it more profitable to transfer their land through the medium of the Commissions.

Of equal importance is the principle that land, as such, should not be taxed; the tax-gatherer and the tithe-owner are just as undesirable as the mortgagee and the speculator. Like the rest of the community, landowners should be taxed or tithed on their INCOME, i.e. on the net product of their capital, whether it is held in land, plant, stock, securities, or credit. Under the policy which has been outlined in these pages, all speculation in land-values would be stopped, and a gradual elimination of the tenancies in favour of small occupying freeholds brought about. There would, therefore, be no need for a land-tax, either for purposes of revenue or for social reasons. The same principles would be applied to urban land.

Tithe, under Mosaic Law, was originally a tax levied for the service of the State on the whole national revenue, one-tenth of this tax going to the Church. The revenue of the State is now, of course,

very much in excess of tithe, though not called by that name, and is obtained from many sources. The tithe now imposed on agricultural land is not payable to the State but to the Church direct, and may therefore be regarded as an additional tax on the tithe-payer. Moreover, the modern method of levying tithe by means of a fixed charge on assumed capital values, payable in metallic money regardless of the purchasing power of that money, or of the tithe-payer's income, is peculiarly unjust. The conception of tithe as property, and the policy of the Church authorities in enforcing payment, are hardly in keeping with Scriptural teaching.

Actually tithe is a religious duty, and as such it should be payable in kind, or in its equivalent money value at the option of the payer. Our present-day monetary standards, however, prevent the religious concept from being put into practice because they do not conform to the law of kind. Hence the reason why all forms of taxation, as imposed to-day, must be collected in terms of metallic money before the receipts can be spent as revenue, irrespective of whether the wealth on which they may be imposed can be realised at a profit, or even at cost of production.

As a matter of justice, outstanding tithe should be merged with the national taxation, and collected by the inland revenue authorities on the same basis as income-tax. In cases where, owing to bad harvests or low prices, the tithe collected in any year fell below the legitimate requirements of the Church, the deficiency should be made good by the State.

This would be infinitely fairer than the present 'dead weight' system, which is imposing hardship on the smaller landowners (i.e. farmers who have bought their land) and bringing the whole question of tithe into disrepute.

CHAPTER XIII

THE AGRICULTURAL LABOURER

BRITISH agriculture, as compared with the agriculture of other countries, is almost unique in the high proportion of paid labour it employs. Wage-earning labourers outnumber farmers by more than two to one, so that it is true to say that the bulk of our home-grown food is produced by men working fixed hours for fixed cash wages, and not, as in other countries, by peasants and family-farmers working as hard as they can for as much as they can get. There is thus an element of rigidity in the production costs of the British farmer which scarcely applies to those of his competitors. The latter meet lower prices by working harder and living more frugally, a form of 'sweating' which somehow escapes the notice of humanitarians and social reformers.

The problems arising from this aspect of British agriculture have been rendered more acute by the fact that wages are now maintained by law at a level which is practically 100 per cent. above pre-War. It is, of course, generally recognised that pre-War wages were decidedly low, and that the present rates are no more than adequate to support a decent standard of living. But the fact must be faced that the farmer has to pay these doubled post-War wages out of an income which is little above the pre-War level, and at the same time compete with producers who, for the most part, pay no wages at all. The

marvel is, not that agricultural employment has declined, but that it has declined so little. The situation has, to a large extent, been met by a steady increase in the output per worker due to increased efficiency in farming methods. But there are limits to the extent to which this increased efficiency can be relied upon to offset higher costs,¹ and there is no doubt that for some years farmers have been paying wages out of capital, with the consequence that their farms, as well as their financial positions, have deteriorated.

It is clear, therefore, that before prosperity can be restored to agriculture, and rural employment can be increased, agriculturists must be able to recover their costs of production from the sale of their produce. Wages have not altered appreciably since 1925, while the price-level has fallen during this period from 159 to 100; the price-index, therefore, must be brought back at least to 150 before any increase in wages can be justified. When equilibrium has thus been attained, it will be found that the demand for labour will tend to move wages upward in conformity with the capacity of the industry to pay them. But to avoid any individual abuses it will be desirable to maintain a legal minimum.

It must at all times be remembered that the case of the agricultural worker is by no means on all fours with the case of the urban or industrial worker. It is not merely a matter of simple arithmetic in terms of money and hours. He has certain advan-

¹ E.g. the Law of Diminishing Returns.

tages which are difficult to assess, but which considerably improve his lot. His house-rent is low, his perquisites are many, and he can grow much of his own food; he is sure of his weekly wage at all seasons, and is able to add to it considerably by overtime pay at busy seasons; and his work is sufficiently healthy, varied, and congenial to render his need for recreation and relaxation relatively slight. Many a man has found to his cost that 30s. a week on the farm means more happiness and bodily comfort than twice the money in a crowded city.

The farm labourer has, however, certain legitimate needs, and these must receive consideration, not only because he is entitled to share in any benefits extended to agriculture, but because it is essential that farm work should attract new blood. The more important of these are as follows:

(a) Better housing. This is an urgent matter, since in most districts there are not nearly enough good cottages to go round, and many workers have to live under conditions which are tolerable only because of the healthy life they lead. The picturesque hovels which are so much admired by the tourist are, for the most part, cramped, dark, and unhealthy; no countryman expects such luxuries as electricity or gas, but he IS entitled to a weather-proof home with sufficient room to bring up a family in health and comfort.

This situation has arisen primarily from the fact that no one can build new cottages at rents which the farm worker can afford to pay, and it is aggra-

vated by the occupation of cottages by week-enders and persons in sheltered trades who can outbid the agriculturist. The abolition of the 'tied' cottage,¹ as advocated by the Socialists, would merely worsen matters by depriving the farm worker of the one kind of house of which he is assured. The real remedy is to make it possible for farming to pay wages which will cover economic rentals, but in the meantime the Agricultural Development Fund should be used to provide cottages where the need is most acute, these cottages to be reserved exclusively for agricultural employees.

(b) A comprehensive scheme of insurance, covering health, unemployment, and superannuation. It is quite true that agriculture is a healthy occupation, that its liability to unemployment is relatively slight, and that it seems able to find work for many men who would be considered over-aged in other industries. This is a sound reason for a separate system of insurance, but not for an inadequate one. Many of the younger men drift out of farming because they feel that it offers them insufficient assurance against old age or 'a rainy day.' An industry comprising a million bread-winners is surely large enough to support a scheme, especially adapted to its needs, which would remove the shadow of 'the Union' from the labourer's outlook.

(c) Graduated Wages. Most industrial workers have, sooner or later, an opportunity to earn higher wages if they show the necessary skill and character.

¹ Cottages rented by a farmer as part of his farm, and therefore reserved by him for his employees.

To some extent this used to be true of farming also, but the combination of statutory wages and agricultural depression has brought about a levelling down, so that an experienced man of forty-five, highly skilled at his own craft, gets no more than a callow youth of twenty-one. County Agricultural Authorities would be empowered to grant certificates to all workers applying for them, provided that evidence was forthcoming of satisfactory service and technical skill, say a second-class certificate for ten years' service, and a first-class certificate for really responsible men capable of handling a valuable flock or herd. These certificates would carry with them small increases in statutory wages, and would be important qualifications for small-holdings.

(*d*) Wider opportunities. Most farm labourers are already reasonably contented with their lot, and if this were to be improved on the lines indicated above, the majority of them would be well satisfied. But there will always be some prepared to sacrifice immediate comfort for the sake of future independence, and to make a special effort in order to give their children a better chance in life. Moreover, the peasant instinct is not yet entirely obliterated. These men will, if suitably assisted, make the best type of small-holder, and should profit by the proposals outlined in Chapter X.

There still remains the problem of actually getting men on the land once the right environment has been created for such a movement. The drafting off of a certain number of workers into small-

holdings, combined with the increased demand for farm labour, which an agricultural revival would bring about, would create a definite shortage of man-power, and this shortage would do much to relieve urban unemployment, provided that the opportunities so provided were carefully used.

It is difficult to believe that the best way to get the unemployed on the land is to place them on small-holdings, which, under any conditions, represent the most arduous and difficult phase of agriculture. No amount of training and supervision can entirely make good deficiencies in experience, and failures involve the maximum amount of disappointment and financial loss. It would, therefore, be a much sounder, if less spectacular, policy to place these newcomers in a position to learn from others, and at the same time discover for themselves whether they were suited to a rural life, while earning an assured livelihood.

It should then be laid down that no one would be assisted to take up a small-holding until he had had ten years' service in farming and a second-class labourer's certificate. To facilitate the attainment of these qualifications, i.e. to encourage farmers to employ new recruits from the towns, a system of adult apprenticeship should be put into operation. In the case of any man not previously employed in farm work, and therefore obviously not worth full wages, the Ministry of Labour should undertake to pay half the wages for the first year and a quarter for the second year; the employing farmer would in such cases guarantee regular work throughout this

preliminary period, and moreover give a written undertaking not to reduce his regular staff. This plan would encourage farmers to employ men whom they would otherwise hesitate to engage, and would at the same time assure these men a living until they were sufficiently experienced to be able to command full wages. It would in effect be a subsidy, but a subsidy with an object, namely to take men off the dole and to place them in regular, healthy, and productive work.

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