Farm tenure in Iowa: III. The National Farm Institute Symposium on land tenure (Held at Des Moines, Iowa, Feb. 19 and 20, 1937)

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Farm Tenure in Iowa

III. The National Farm Institute Symposium on Land Tenure

(Held at Des Moines, Iowa, Feb. 19 and 20, 1937)

AGRICULTURAL EXPERIMENT STATION
IOWA STATE COLLEGE OF AGRICULTURE
AND MECHANIC ARTS

R. E. Buchanan, Director

AGRICULTURAL ECONOMICS SUBSECTION
RURAL SOCIAL SCIENCE SECTION

AGRICULTURAL DEPARTMENT, DES MOINES CHAMBER OF COMMERCE

Cooperating

AMES, IOWA
Mr. Mark Thornburg,
Chamber of Commerce,
Des Moines, Iowa.

Dear Mr. Thornburg:

I regret that because of urgent affairs in Washington, I am not able personally to attend the agricultural institute. It is held in my home state and home city, which naturally gives it a special interest to me, but more important than that, the ideas behind this institute, as I understand them, are inter-group, intersectional and democratic. They are inter-group in the double sense that they aim to bring together not only cotton and wheat and corn and dairying, as well as the other great divisions of our agricultural production, but also that they aim to bring city people and country people into a more significant realization of their interdependence.

There is, of course, the need of maintaining workable unity among the agricultural groups. There is also the need of achieving and maintaining greater national unity by making the West and East, South and North understand better their respective interests, where they coincide and where they clash, and where fair accommodations or even sacrifices should be made in the general interest. Conferences such as this one can be made to contribute to that better understanding.

Finally, the very discussion of problems as vital as that of land tenure, in the spirit of freedom and critical analysis, is a manifestation of the democratic process which is the real guarantor of our future well-being as a people.

I want to congratulate the Des Moines Chamber of Commerce for sponsoring this institute. It is, in a way, a pioneering kind of activity. There are possibilities of great good through the years to come in the institute which you are holding this week.

Sincerely yours,

H. A. WALLACE,
Secretary.
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The first National Farm Institute sponsored by the Agricultural Committee of the Des Moines Chamber of Commerce and held in Des Moines, Feb. 19 and 20, 1937, gave opportunity for free and full discussion of all aspects of the questions of farm tenancy and land tenure. No attempt was made either to uphold or to oppose any specific program looking to improvement of agricultural and tenancy conditions. The whole effort was rather to explore from an unbiased and non-political standpoint, all the possibilities in this broad field.

To this end, the Institute received the indorsement of such individuals as Henry A. Wallace, Secretary of Agriculture, Frank O. Lowden, former governor of Illinois, and such organization as the Farm Foundation, Inc., of which Dr. Henry C. Taylor is director, the Iowa Farm Bureau Federation, Iowa State College, and Iowa's three largest news and farm publications—Successful Farming, Wallaces' Farmer and Iowa Homestead and the Des Moines Register and Tribune.

The Institute attracted not only a distinguished group of speakers, but also the attendance of a large number of people, both rural and urban. Discussion of the open forum type followed the prepared addresses, delivered by recognized authorities on the subjects assigned them.

The success of the initial venture, which set a precedent and established a new technique for Chambers of Commerce in the promotion of discussion of basic agricultural topics, led to the decision to make the Institute an annual affair.

A different topic will be discussed each year, the selection to be on the basis of what seems to be the most important and pertinent subject currently affecting agriculture.

Interest naturally centers on those subjects as they pertain to agriculture in Iowa and the Corn Belt, but consideration must be from a national viewpoint, the committee believes. Best evidence of this was the representation from the South and consideration of the southern tenancy problems at the first Institute.

This bulletin is a record of the proceedings of the first Institute. It contains the ten major addresses given at the meetings. While the group conferences led by Dr. H. C. Taylor, Dr. W. G. Murray, Dr. W. W. Alexander, Mr. Francis Johnson and Dr. Rainer Schickele were extremely valuable sessions, the materials which were presented and the discussions which took place at these conferences did not lend themselves to inclusion in this bulletin.
Farm Tenure in Iowa

III. The National Farm Institute Symposium

What Has Happened to the Agricultural Ladder?

By Theodore W. Schultz

IN ONE of the classrooms at the University of Wisconsin, a room frequently used by Professors Hibbard and Commons, hangs a large, black, depressing picture of a man and a woman, poor, poverty stricken, carrying a few bundles. Beneath the picture in bold letters there is inscribed the word, “Landless.” This picture reminds one of historical accounts of the plight of the exploited and evicted Irish farmers. It is hard in these days of surpluses, overproduction, and areas once suitable for agriculture now distinctly marginal, to understand why land was so important to these people. Or why the virtual monopoly of land by absentee owners became so oppressive?

Whatever the reasons for the importance that was then attached to land and the deep-seated conflict of interests that existed between land owners and farmers (and, for that matter, between land owners and the rest of society, a point which is easily recalled when we consider the social implications of Ricardian rent and the popularity of the doctrines of Henry George), it is a fact that most of the northern Europeans who came to America came out of this background and came to us land hungry.

The hunger for land also was reflected in the realm of ideas. The Ricardian theory of rent still casts its shadow of formal logic across the intellectual horizon. The amount of land was considered fixed once and for all. It was not so with the other factors of production. Land ownership was viewed as a peculiar monopoly. Rents were regarded as particular values in that they were produced by society, and they must rise as population increased. Much of

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this reasoning, as time has shown, was partly a rationalization of the particular situation that existed at the time the industrial revolution struck northern Europe. It reflects the landlessness of that day and the peculiar importance of land. It explains much of the inordinate desire for land which characterized Americans—both early and late arrivals.

Land Questions Played Major Role

Questions concerning land played a major role in our national life from the start. This country was predominantly agricultural and land was its chief economic determinant. Even up until about the time of the World War, this country had no agricultural policy as such; what it did have was a land policy, i.e., to get our vast public domain under private ownership as quickly as possible. It is our good fortune to have with us the country’s foremost student and authority on America’s land policy. He will speak today noon. I do not intend to anticipate Professor Hibbard’s analysis. I merely want to stress the fact that the many-sided and multitudinous farm programs reflected in our agricultural policy today are of recent origin. The ideas of agricultural adjustment, rural rehabilitation, farm price and income parities and balanced production goals are indications of how much broader our concept of agricultural policy is today than it was when land, presumably free land, was the touchstone for promoting the welfare of agriculture.

We have come a long way indeed from the attitudes and psychology of the landless peasant. Land no longer represents most of the productive capital of western countries. Nor is there a disposition to feel that those who own land have an economic squeezer with which to exploit society. Instead we are inclined to show mercy and extend charity to those who are endowed with enough courage to buy land—witness our mortgage moratoriums.

There is one lesson I wish to draw from this brief backward look; i.e., our concern and interest here these next 2 days is not strictly with land tenure. The emphasis upon land in considering tenure has its roots back in the bundle of attitudes that determined the economic and legal arrangements associated historically with the use and occupancy of land. The problem which concerns and interests this Institute is that of farm tenure which is distinctly broader, more inclusive and of greater significance than is the
traditional concept of land tenure. The farm is much more than merely land. It is first and foremost, in a highly commercialized agricultural area such as this, an economic producing unit. It is a going concern with varying amounts of capital materials. It is also a place of residence. It is, therefore, highly important that we take the broader point of view toward tenure—farm instead of land.

My task is to explore the query: What has happened to the agricultural ladder? It will not be necessary, I assume, to tell you what is meant by the agricultural ladder. It will suffice to say that in the Corn Belt it has become customary to compare the several stages in farm tenure to a ladder. The young man starts as a farm hand and proceeds to climb up successive rungs as fast as his experience and capital accumulations permit. The top rung of this ladder is independent ownership; i.e., when the mortgage is paid. The movement of farmers up the ladder was once sufficiently general and regular to warrant its acceptance as a satisfactory system which gave adequate recognition to the capacities and abilities of individual farmers and their families.

Farm Tenure Is Badly Disorganized

It is apparent today that in many sections of the Corn Belt farm tenure is badly disorganized. The agricultural ladder not only has become badly clogged, stopping the upward progress, but many farm families have been forced to descend, giving up the rung which they had once attained. This retreat of encumbered owners to tenancy and of tenants to farm laborers has been particularly sharp during the depression years. The following trends are indicative of what has been happening to our farm tenure system:

1. Take the farm family.—An increasing proportion of our farm families are staying tenants. In Iowa, which is representative of the heart of the Corn Belt, back in 1890, 59 percent of the farm families owned all of the land they operated; this figure had shrunk to 39 percent by 1935. The tenant family holds in many ways a wholly inferior position in the community. Its tenure is short and insecure; accordingly, it moves frequently. Community and social life is greatly impoverished as a consequence.

2. Take the farm land.—An increasing amount of our farm land has become leased. This, too, has been a long-time historical
process. In 1900, 40 percent of the farm land in Iowa was rented; by 1935 the proportion had risen to more than 58 percent. Here, again, the consequences are many. The misuse of the soil resources is greater on leased land than on owner-operated farm land. Tenants in Iowa keep more of their cropland in corn and other soil depleting crops and less in grasses and legumes and related soil conserving crops than do owner-operators. On many of our owner-operated farms there simply is no problem of soil conservation. This, however, cannot be said for our farm land that is rented.

3. Take the separation of capital and labor.—Less and less of this value of farm equity has come to belong to those who farm. In Iowa, Illinois and South Dakota the aggregate equity of farm operators had, by 1930, become less than 30 percent of the farm real estate. This proportion undoubtedly has declined substantially since then. Does this mean that even here in the center of the Corn Belt we are gradually developing an agricultural proletariat—an area whose people once possessed the most dependably conservative, property conscious and middle-class ideology known anywhere in the United States?

4. Take the age of farmers.—Not only have fewer farmers made progress in climbing the agricultural ladder, but those who are successful reach the successive rungs at an older age than formerly. This clogging was already becoming evident before the World War. It is part of the general evidence that the ladder is not working satisfactorily.

5. Take the concentration of ownership of the farm equity in non-farm operators.—Increasingly more of the equity of our farm real estate belonging to those not farming has become concentrated in fewer hands. The best evidence of this is the rapid rise in the amount of farm land held by insurance companies. In Iowa, over 11 percent of the farm real estate has become the property of loan companies, chiefly of insurance companies. Try to imagine, if you can, the fact that the equivalent of 11 Iowa counties is owned and being handled by loan companies.

It should not be necessary to go further in pointing out that the agricultural ladder is not giving us the orderly procedure, the step by step advance, in farm tenure which was commonly experienced in an earlier period.
In any attempt to patch up and reestablish a workable and satisfactory agricultural ladder—which should be our basic objective—it is well to give thought to the circumstances which have contributed to the present situation. In getting at the elements of the problem before us, it is essential that we take cognizance of the fact that there are a number of alternative farm tenure systems which could be made to serve the needs of agriculture adequately. When one recognizes the tenure tradition of the farm people of the Corn Belt, the highly complex character of the livestock farming practiced, the large amount of technical and managerial skill which such farming demands, it is highly probable that a desirable tenure system for the Corn Belt must lie somewhere within the limits of the following two systems.

Two Approaches to the Tenure Problem

The first of these systems of farm tenure we may call the Danish approach. Its objective is universal farm ownership by operators. Instead of having, as we have had, a tenancy stage during which the farm family accumulates savings, the credit facilities of the country are employed to give the beginning farmer the status of owner. The Danish farmer does not have to deal with a landlord; he has substituted for him a landlord. In the Corn Belt we have both.

The second farm tenure arrangement which is adaptable to Corn Belt circumstances is the English approach. It results in relatively few farmers ever owning or having any desire to own the farm which they operate. In our language, the English farmer is a tenant. Landownership is separate and divorced from farm operatorship. The risk of owning land is not borne by the operator. The English farmer virtually always has a landlord to contend with, but he does not go into debt in order to buy farm real estate.

In each of these two approaches, of which our system is essentially a combination, a much more advanced stage has been attained than is true in the Corn Belt. The rights and privileges of the tenant farmer in England cannot be compared with the present, crude, makeshift landlord-tenant relationships found in Iowa and in adjoining states. The English have evolved out of long experience, coupled with progressive legislation, a legal framework making the relationship between landlord and tenant reasonably work-
able. Similarly, in Denmark the encumbered landowner holds an entirely different relationship to the debt risk inherent in the changes in the value of money than is true in the United States.

In this section of the Corn Belt farm people, by and large, very much prefer a system of tenure along the lines of the Danish experience, in contrast to that which prevails in England. That is, the bias of the farm people of Iowa is strongly toward ownership of the land by the farm operator. There is a distinct opposition to the idea of the separation of capital involved in real estate from the management and labor furnished by the farm family. Iowa farmers prefer to deal with a lendlord rather than with a landlord. This point of view, of course, may change, but currently it is widely held and must be fully recognized in any action program leading toward farm tenure reform.

We will now return to our query, "What has happened to the agricultural ladder?", or more specifically, "What has contributed to its present unsatisfactory state?"

**More Stable Farm Income is Needed**

The farm tenure system of this section has received its most devastating blow from the violent fluctuation in farm income experienced since 1914. Moreover, no farm tenure reform that has been proposed or that is likely to be applicable to agricultural conditions in the Corn Belt can pass through the type of economic storms which have been experienced by agriculture during the last 2 decades and not suffer substantial net loss. I need to be emphatic in my statement: Most of the economic dislocations which concern farm leaders today, including much of the tenure problem, have arisen out of the price and income abnormalities of the postwar period. Therefore, one of the first and one of the most important prerequisites to any long-time program in farm tenure reform is a more stable level of farm prices and income. It is indeed folly to try to provide the necessary economic and legal arrangements essential to promote a desirable farm tenure system in Iowa with prospective changes in the price level even one-fourth to one-third as great as those of the postwar period. It simply can't be done.

To the extent, therefore, that price level fluctuations have their origin outside of agriculture, there is not a great deal that farmers
or even the state and federal agencies which are serving agriculture can do about it. The mechanism of price level stabilization is to be found mainly in the monetary and fiscal policy of the government. That, too, is outside the direct province of agriculture.

But this is no reason for deluding ourselves into believing that farmers can afford to commit themselves to long-term leases and certainly not to 30-to 35-year mortgage contracts as they do when they buy land on the basis of a rubber dollar standard of values. The long-term expectation of earnings involved in the purchase of farm real estate is not compatible with even moderate fluctuations in general farm income. On the basis of what farm income and land values have done during the last 2 decades, a contractual commitment in land involves a kind and degree of uncertainty less predictable than a game of chance or most gambling devices.

What assurance is there that during the next 20 years price level changes are not going to be a repetition of what has happened in the past? Do we have any declared policy on this point? Does not the farmer who enters into a long-term contract today assume the same risk of monetary disturbances, altering the value of the dollar, as he has in the past? In my opinion, there can be no escape from the fact that the most important prerequisite in rehabilitating and reestablishing a desirable farm tenure system in the Corn Belt is a declared policy on the part of the federal government that it will order its monetary and fiscal affairs in such a manner as to promote a stable level of prices in general.

**Large Capital Investment is Stumbling Block**

Another relationship that has contributed to the changes in our farm tenure system is the increasing size of the farming unit in an economic sense. A farm in the heart of the Corn Belt is a capitalistic enterprise in which the ratio of capital (both land and materials) to labor inputs is uncommonly large. The relative value of the farm plant is too large for a farmer to save enough from his earnings during his productive years to pay for the farm. That this is being recognized by farmers can be seen when they buy farms. Farm operators tend to buy smaller than average and less productive than average farms in their community. In this way they keep the capital value of the plant down in order not to take on more than they can pay for from their savings. Similarly,
comparing regions, the ratio of owners to tenants is much larger in regions with soils low in productivity than it is in the highly fertile southern deltas, river bottoms and the level, black land of the Corn Belt.

Are we then not expecting too much when we set as our goal a farm tenure system wherein a farmer can start up the ladder and save enough to pay for a highly productive Corn Belt farm in 20 to 30 years? How large a price would we pay in lowered standards of living by the kind of forced saving that would be necessitated if a $25,000 farm is to be paid out of the savings of a farm family? In all this it must be recognized that with the high birth rate which still prevails among farm people and with inheritance customs as they are, most of the farmers of every generation must start down at the lower end of the agricultural ladder since a substantial proportion of the capital accumulation of farm families is transferred out of agriculture by inheritance each generation.

I am sure that we need to reexamine the functions of our tenure system. To pay for a typical Corn Belt farm in the level cash grain area from farm income during the productive years of a farmer’s life span may be too big an assignment. It probably requires a serious exploitation of both the human and land resources that are involved. If I am correct in my analysis, it means that in much of Iowa at least some of the capital employed in farming will have to be supplied to farm families from outside of agriculture. Under the Danish approach that is done by credit agencies closely related to the government; in England this extra capital, in the form of farm real estate, is furnished by the landlord. In one the mortgage debt, in the other tenancy is accepted as a fairly permanent institution. If we select to adopt either or both of these, it is high time that we take aggressive steps (1) to lessen the debt risk inherent in owning and operating an encumbered farm, (2) to improve the landlord-tenant relationships so as to make tenancy a form of farm tenure which will facilitate good farming, rich community life and a stable agriculture. The first demands that the risk of farm mortgage indebtedness be reduced; the second calls for increasing the security of tenure of farm tenants.
The Farm Tenure Situation in the Cotton South

By W. W. Alexander

A FEW evenings ago I heard a representative of the London Times say in Washington that after 10 years of looking down on Congress from the press gallery he had come to the deliberate conclusion that our state lines were artificial and that we have in this country a series of economic regions. He undertook to define those regions. I shall not do it. The exact outlines would vary with the experience of the man who is making them, but by and large they would fall generally into eight or nine general economic regions that are more important economically, according to Mr. Lewis of the London Times, than our state lines. In discussing this, he made the further point that economic legislation by our Congress had come to be a series of inter-regional treaties. Now, in so far as this is true, the relationships of these regions to each other are very important. I suppose that is why I was asked to come and speak about one of the most distinctly regional of all the sections of the United States—the old Southeast.

I speak of the old Southeast rather than the South because more and more the South is being broken into two regions. The economic and social problems of the Southwest are becoming more and more sharply distinguished from the problems of the old Southeast. So long as the original settlers of Texas were living, Texas leaders were the children of the old South. The later generations in the Southwest, however, are now in charge; they have forgotten largely their origin and are looking and thinking of their problems in their own way and under their own leadership as almost completely separate from the problems of the old Southeast.

Regional Division Brings Difficulties

The Southeast is a region in several distinct ways. Culturally, of course, it is very distinct. Its folk ways are clear cut and less changed than the folk ways of any other section of the United States—certainly than those of New England which we think of as clear cut and stable. This regional situation to which I have referred brings about two difficulties, when we think nationally about such problems as agriculture. One of them is to find any national pattern that will meet the needs of these differing regions. A great deal of study is being devoted to the question of tenancy.

2Administrator, Resettlement Administration, Washington, D. C.
One of the things that has been sought is the common denominator between tenancy in the Southeast and tenancy in the Corn Belt. There just isn’t any satisfactory common denominator. The tenant in the Corn Belt is a capitalist who owns his tools and has an entirely different relationship to the land and to society from that of the tenant in the Southeastern States. This illustrates the difficulty of finding in this country any basis for national legislation on economic problems. Furthermore, there is always the possibility of special interests playing these regions against each other.

Our problems in the South have always been primarily agricultural. We had, before the Civil War, an agricultural civilization. Our whole tradition and pattern of life was rural. Before the Civil War, cities in the South were not so important as in other sections. There were great plantations and plantation homes that were in a sense as well known and as important as the near-by cities. The centers of life were largely on these plantations.

A great deal has taken place in the way of change through industrialization, but our problems are still largely the problems of agriculture, and yet our political affiliations in the past have not been with the agricultural sections of the country. This is due to a number of historic causes. We have been more likely to vote nationally with Tammany than with Iowa. That is due in part to the fact that we borrowed our money along the northeastern seaboard, and yet our great problem is agricultural. We have not had the political affiliations that we should have had to deal most effectively with a problem of this sort.

The agricultural situation in the Southeast is determined largely, as most agriculture is, by our climatic conditions, which enable us to produce a cash crop, in fact two cash crops—cotton and tobacco. We have devoted our energies to the production of these money crops.

These two crops—cotton in particular—depend for their success upon a world market. In Egypt 5 years ago I met men who were leading in the cotton enterprise of the British in the Sudan. I talked with these men about their plans for cotton production in the Sudan, realizing that the success of that enterprise had a distinct bearing on the remotest tenant cabin in the South. Hold in mind, therefore, that the world market is an important element in our whole agricultural situation.
Cotton growing is a type of agriculture that does not lend itself to mechanization. Although the cotton picker is slowly getting a start, we will in my opinion be picking the cotton by hand for some time to come. Ours was and is a type of agriculture that demands a great deal of unskilled labor. The Dean of the College of Education in the University of Alabama has said that farming in Alabama is a set of inherited motions. Very little change has taken place in the method of cotton production over the years. You who go South on a journey are greatly interested in the first cotton field you see; you get a few cotton bolls and try to understand what it is all about. One thing which impresses you is that great army of hand labor planting, chopping, picking. In the use of unskilled labor, it resembles the farming in the Nile Valley.

South Has High Credit Requirement

Southern agriculture requires a large amount of short-time credit for crop production. This has always been borrowed. A study was made not long ago of the debt structure of the South in the 10-year period before the Civil War. We then owed large sums in the East, and our farming operations have until recently depended year by year upon that eastern credit. I have thought sometimes that our landlords in the South were not farmers so much as credit arrangers. They are the financiers of the current enterprise of farming, and a great debt is incurred before the crop season has begun. This is a distinct and essential element in understanding the South.

Being dependent upon world markets and much short time credit, southern farming is subject to great hazards. We have an occasional good crop and good markets. The number of owners increases in such years. That means that, by the law of averages and by the providential order of things, once in a while we can make some money out of cotton or tobacco, and whenever that happens tenants take their share and, making a down payment, begin the struggle for ownership.

A great deal has been said about the high rate of interest paid by our tenants for the advances with which to make their crop. Well, sometimes we have looked at those rates of interest and have felt moral indignation. The fact is that a loan on a cotton crop is probably as hazardous a loan as was ever made. Other loans in this country with equal hazards carry equally high interest rates. It is
a gamble. I suppose that farming on the whole is a gamble. Farmers bet against the weather and the insects, and against politicians, the markets, and the people who manufacture farm machinery. Out in the Rocky Mountains I have seen lonely men who follow prospecting year after year. A fellow comes out of the gulch with a pick in his hand and you say, “Who is that?” “Well,” your host says, “he is a sort of nut; he is a prospector; he goes up and down these gulches year after year with the hope that he will strike it, and he is getting a little bit wrong in the head.” Cotton farming has that sort of effect on you; it is a sort of disease, or at best an adventure or a gamble. It takes that sort of spirit to enable the farmer to persist in the face of such tremendous hazards.

Tenancy Follows Erosion

Because cotton was a cash crop and because of the importance of always being ready for the combination of good crop and good market when it came, we have mined the soil away. In the South the temptation to mine the soil has been greater than in the Middle West—mine it and ship it away in the form of lint cotton. So we have plowed the fields year after year and as they have grown thinner we have thrown in more fertilizer with the hope that we might catch the good crop and the good market. Today 61 percent of all the badly eroded lands in the United States are in the cotton Southeast; and erosion at its worst is to be found there—lands, hundreds of thousands of acres, that were formerly productive are now very distinctly submarginal, and the problem of soil depletion is greater in those commercial crop areas than anywhere else in the United States.

Under this system tenancy has grown to an extent greater than in any other part of the country. Sixty percent and more of all our farms in the South are tenant operated and in many of the areas—and curiously enough in many of the best areas—70 percent of all the farms are operated by tenants. The owner-operators who have hung on to their farms have an equity of only 35 percent in the farms that they are operating. The equity of the average owner-operator in the United States is 42 percent. Tenancy in the South is increasing constantly, and the agricultural ladder is less and less operative. Ten percent of the entire land in that section is owned by the banks and insurance companies and other lending agencies.

I should have mentioned a while ago that as one of the by-prod-
ucts of soil depletion we use $5\frac{1}{2}$ million tons of commercial fertilizer every year. The rest of the Nation uses $2\frac{1}{2}$ million tons. This is a part of the burden of expense and credit for making crops in the South.

**Southern Farm Income Low**

The income of farm families in the Southeast is exactly half of the average for farm families in the Nation. The farm income in the highest income state in the Southeast is lower than the farm income of the lowest income state outside that area. The average farm income for the area is $365$ a year. I need not elaborate on that fact, except to mention one or two things which I think ought to be of interest to you. In that area, with the lowest income of any agricultural section in the country, are one-half of the Nation's farm children. One-half of the Nation’s farm children are being educated in that area with the lowest farm income. I suspect that there may be someone here who says, “Well they are not an important part of the population, because they are Negroes.” This problem—the human problem on the farms of the South—is no longer primarily a race problem. Of our tenant families, $1,200,000$ are white and only $600,000$ are Negroes. Of those farm children, the overwhelming majority are white. So far as that is concerned, I do not think it is any advantage to the Nation for Negro children to be without opportunity for more education than that sort of economic system will pay for.

I want to emphasize this because I think it is important. Out of the total income in that region we maintain a dual school system which is very expensive. The percentage of our total tax income spent on schools was above the Nation’s average—not a larger amount, but a larger percentage. So that there is the consciousness in this breeding ground of the Nation’s future workers, voters, and citizens that education is of very great importance. It is the most important single thing that confronts us, and it is quite significant that the most distinguished men in the South in the past 50 years have been our educators. They have occupied a position of influence in our social system greater perhaps than educators in any other section of the country. I am not talking about farming—I am talking about people. What is involved in all this is our civilization, for our civilization is what happens to our people. I am tremendously interested in what is going to happen to Iowa land,
but I am more interested in what is going to happen to the people out here who have dared to maintain their own ways until this is called the Bible Belt. Your background has continued sufficiently rural so that there is here more of early New England spirit than in any other section.

Between 1920 and 1930, 60 percent of all the farm people who migrated to cities were from southern farms. In Detroit and in Toledo and in all the industrial centers I find my neighbors and friends, and how glad they are to see me and how lonesome they get for the rural South. I should imagine that for many of those people, black and white, the distance from a sharecropper or tenant home in the South to Gary or Detroit is as far as one could travel socially and economically in this country. It is almost as far as it was from Italy to Pittsburgh in the period of foreign immigration.

This rural section of the South will continue to produce a large part of the Nation's surplus population. The most important thing that we give to the Nation are the children growing up on the farms of the South. For a long time to come a great many of these children must find their lives outside the South. National industries cannot expand greatly without them. Those children down there are very important for the future of the country.

So long as we have this surplus farm population, the industrial problem of the Nation will be affected. Over the long years we have built up better labor standards in the country—hours and wages and conditions—but the greatest threat to those standards for industrial workers in this country is the surplus of workers in the South. When the NRA came and took the cover off, there was one plant in the South that was particularly interesting. It manufactured a very common, homely commodity. The machinery in that plant was machinery that had been outlawed by safety legislation in Ohio. It had been moved South, where there was less interference by safety regulations. The wage of that plant was $4.00 a week. Mr. Meeman is here—his papers have recently been giving us a picture of what is happening industrially in the South. Some industries, good ones, have gone South, some important ones, but there have been a lot of the other sort. So long as there is a surplus population in the South there will be the temptation to exploit the surplus labor. That means the very great danger of breaking down the standards for our industrial workers.
And the moral to all this tale is that the rest of the Nation has a tremendous stake in these children of the South. Some of your own men have said to me in Washington, "Well, I don't see that anybody will profit by this piece of legislation except the South." My reply to that is that anything that will help that human situation in the South will be a great profit to the rest of the Nation.

The other thing is that in my opinion the future of the South, if its future is to be guaranteed, is with the other agricultural sections of the Nation. I wish more of you Iowa farmers drove South to Florida, but I wish you would not go to Florida too fast. I wish you would take the journey leisurely enough so that you would come to understand something of the agricultural situation. I wish that the leaders of the South could break up the habit of political alliances with the northeastern seaboard and substitute an understanding of the common agricultural problems of the South and the Middle West, because you are more naturally allies in any sort of program for improvement in the South than the people of any other section.

The other thing is that farm people in the South must become more politically conscious. You may be interested to know that of the total voting population in Alabama, of the total citizens 21 years old and above, only 20 percent vote. In Virginia, it is 25 percent; in Arkansas, 18 percent; in Georgia, 19 percent; in Mississippi, 16 percent; and in South Carolina, 14 percent, while in the Corn Belt states more than 80 percent vote.

That means that the towns and cities do most of our voting. The county-seat crowd controls our politics. The great masses of those farm people do not vote—and this is not just disfranchisement of Negroes either; in our effort to deal with that problem we have disfranchised a large element of our farm voters. Now, when they become vocal and politically conscious of their problems, an alliance with the farmers of the Middle West will be much easier.

I started out by reminding you that this country was a series of regions and that economic legislation on a national scale represented a series of regional treaties. I close by saying to you that an understanding—economic and political—between this region and the Southeast is important to you and vastly important to us. I do not know whether we have wisdom enough to bring that about or not. It should be brought about.
The Upward Spiral In Tenancy and Our Land Policies In Retrospect

By B. H. Hibbard

The United States government had at its disposal more land of a desirable type to be sold or given away at pleasure than ever fell to the lot of any other government. Beginning with that portion of the country as we now know it which lies east of the Mississippi, lacking Florida, we annexed during the next 60 years the portion lying between the Mississippi and the Pacific, also Florida, making altogether a domain of nearly 2 billion acres of land. Over six-tenths of this was public domain, that is to say, it belonged to the federal government. One of the greatest duties of the government during the first century of its history was the disposition of this vast territory, containing as it did substantially the whole of the Mississippi Valley, the mountain region to the west, and the Pacific slope.

There were two main views respecting the plan of disposal. First there was the financial plan, sponsored by Hamilton, which consisted primarily in using the domain as a source of income, but without losing sight of the fact that it was desirable to have the vacant lands settled. Some tracts a township in size, others a section (640 acres) in size were to be offered at public auction. People with money would, presumably, buy and they in turn were expected to sell to the settlers, probably at no very great advance in price and on time.

The second plan was to offer land in small tracts direct to the settler. The latter plan came to be the one followed, although the big buyer was not discriminated against since there was no limit to the amount one person might buy. Congress was beset by numberless pressure groups, as we would now call them, imploring grants of land for any one of a long list of purposes. In general these schemes were quite effectively resisted. Congress was early convinced of the necessity of settling the land in order to promote national security, and at the same time came to be convinced that individual farm ownership, which had indeed prevailed over most of the country during the Colonial period, was eminently to be desired. While the small independent farmer did not prevail in the South, nothing was done to make the land system the means of

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effecting a change. So long as there was no restriction on the amount of land which one individual might buy, the plan of sale fitted the needs of the cotton plantation as well as it fitted the requirements of the small farmer of the North.

Rapid Disposal of Land Resources

The sale of land to the small settler failed to meet the full demands of the pioneers themselves. The problem of transportation became a major matter, even an issue in Congress. It is, therefore, not surprising that grants of land were made in support of ferries, bridges, roads and canals beginning at the close of the eighteenth century and continuing until the plan for such federal aid took definite form in the internal improvement grant of a half million acres per state in 1841. This land eventually went, in the main, for railroads or schools. Through this series of grants we got rid of about 8 million acres of land. This was but a beginning in the granting of land to railroads, which eventually received not less than the equivalent of all the land of Iowa, Wisconsin, Illinois and Indiana. Other large grants were made to states under the Swamp Land Act of 1849. Under this the equivalent of a couple of average sized states was disposed of. A still larger amount was sold at 32 cents an acre under the Graduation Act of 1854, no doubt helping along to some extent the depression of 1857. The education grants mounted up to the equivalent of another three average states, and still we had quantities of land left.

From the very beginning the pioneer farmer claimed as a right the privilege of settling where he pleased on the public domain, thereby coming into possession and eventually owning a piece of land. For this land during a period of over 40 years the price was $1.25 per acre. Before that time, 1820 to 1862, it had been $2.00, on time, but the disposals were vastly greater after the establishment of the cash price of $1.25. The pioneer was never satisfied until the “preemption” right, a right to purchase, at the minimum price, the land he had settled on, developed into the “homestead.” This act was designed to fit the conditions of Iowa, Kansas, Nebraska and Minnesota. In many respects it fitted well. The purpose of the Homestead Act was to give to every American citizen who wanted it a piece of land on which he was required to live for 5 years as an evidence of earnestness, and by which means the
country would be settled permanently, the wealth increased, and the
general welfare advanced. One of the great claims was that land
ownership promoted the highest type of citizenship; that farm life
developed character; that it promoted democracy; that it furnished
a basis of security not alone to the land owner, but to the nation;
that land ownership fosters patriotism and hence is an asset in the
event of war. In fact it was held that individual land ownership
promoted all the virtues.

The liberal policy respecting land, in spite of the attendant evils
of speculation, resulting, for example, in the purchase of the equiv-
alent of a whole Iowa county by one man, in spite of all the draw-
backs to pioneer homesteading, enabled the great majority of the
farmers of the country to own the acres they tilled until within
recent years. Our first tenancy census was taken in 1880, fifty-five
years before the most recent census, that of 1935. In 1880 it was
found that 25 farms in every hundred were worked by tenants.
Now the proportion is 42 per hundred. Even this might not be so
impressive were the distribution of tenants over the country rea-
sonably uniform, but such is far from the case. In the Cotton Belt
the percentage of tenants is over 60, in the Corn Belt right at the
50 percent mark. Within these great districts there are many areas
much more extreme. For example, Mississippi tenants represent
70 percent of the whole number of farmers, while within the best
cotton counties it is over 90. Seven whole states show virtually
two tenants to every owner, and much could be said about the lack
of independence on the part of many of the owners.

**Iowa Tenancy More Than 50 Percent**

In but one Corn Belt state has tenancy passed the middle mark.
This, of course, is Iowa, and the question of what is happening to
ownership in general may be illustrated very well by the situation
in this state. Half a century ago a quarter of the farms of Iowa
were farmed by tenants. This proportion seemed incidental, or,
as it has been called, normal. The 25 percent of tenants at one
time were substantially all owners the next time the count was made,
while another and younger group had taken their places. Now with
twice as great a percentage of tenants it is not at all surprising that
the age at which farmers become owners is higher than was the
case some years ago. Each census, as the reports appear, shows
that farm ownership is acquired a little later in life. The period of tenancy is stretched out to a slightly greater number of years, until now we find a larger proportion of the farmers still tenants at the ages of 55 or 65 years. For example, in 1920, in Iowa 83 percent of the farmers from 55 to 64 years of age were owners, 16 percent tenants. Ten years later for this group the percentages were 79 percent and 21 percent respectively. The reports show the unhappy truth that a larger and larger number of our farmers are remaining tenants virtually for life, and while the case does not look as bad as it might at present, there is every reason to believe that the next decade or two will show a much greater movement in that direction unless something not yet evident occurs to change the course of events.

With many exceptions to the rule, minor exceptions, it may be said that tenancy varies directly with the value of land. Even more clearly it varies with the value of farms. That is to say the sections of the country with farms high in price per acre, and above average size, making therefore a high aggregate valuation per farm, will show correspondingly a high rate of tenancy. Iowa illustrates this principle very outstandingly. The correlation is not perfect, but in general the variations can be explained; the counties with high values are also the ones with high tenancy. In 1920 in several counties of the state the average reported farm value was from $40,000 to $50,000. These were, and are, the counties high in tenancy. It takes no argument to demonstrate the fact that a young man, not inheriting a fortune, will be unable to buy a business plant selling at such a figure on the down payment of the earnings and savings of a few years. Even though such a farm might yield just as good a return on the investment as do low priced farms, it is still true that a beginner will not be able to buy it until his financial status is quite beyond that of an ordinarily good farmer at the age of 30 or 40 years. In consequence we are not surprised to find that a large part of the farmers of recent years become owners when past middle life. This is unfortunate both for them and for the country in general.

Purchase Price Based on Income

Looking over the outstanding farm ownership facts of today gives one the impression that the free land, or near free land, of the days of our grandfathers, belongs to ancient history. The giving
away of land during the latter third of the nineteenth century is an interesting incident in our history. However, so far as the difficulty of gaining ownership of a farm in 1937 is concerned, it is of remote importance. The one or two hundred dollars per acre at which modern farms are bought or held must be forthcoming out of the income derived from their operation, or a class of people distinct from operators must own them. Such has been the history of farm ownership, for example, in Great Britain, but even there the system is breaking down, and in many instances it has become necessary to sell the farms, found to be in financial distress, to farmers who can run them and who must make both the running expenses and capital payments out of the income from the farms. This situation accounts for much of the subsidy which English agriculture is now receiving.

It is futile to rail against tenancy as such. Tenancy is a symptom of something more fundamental and deep rooted; not a disease in itself. The case calls for a new balancing of economic forces. In the past the government had for years used its own power to keep the scales out of balance and in favor of industry. For some 4 years past there has been a spectacular, somewhat frantic effort, to bring agriculture up in the way of relative price level to a balance with industry. If the price question is taken care of reasonably well the land ownership problem will be half solved automatically. But with this accomplished the land ownership question will still require the aid and guidance of a wise and informed government. The credit matter cannot be left altogether to a free and uninfluenced private market. The length of time for loans to run; the rate of interest, not out of line with rates paid in general trade and industry; the better balancing of taxes and more equitable sharing of the burdens of government; the control of land selling agencies; the withdrawal of submarginal land from farming use—all these together constitute a great and little known field within which the influences aiding or hindering in farm ownership are to be found. A start has been made, and the American farmer, indeed the American public in general, should work out within this field a plan which will make possible the recapture of the farm land by the farm people to such a degree that neighborhoods within which tenants predominate will be the exception. Involved in this plan will be many items outside those bearing directly on the interest rates,
amortization payments, source of credit, utilization of land, and such like relating to the immediate land problem. Just as necessary will be the solution of market regulation and outlets, domestic and foreign. Questions involving the settlement of more people on subsistence homesteads, or whatever they may be called; control of output; compulsion regarding conservation measures; subsidies for farmers who conform; punishment for those who do not—all these appear as possibilities. The wished for reform regarding tenancy may come out of a program involving some combinations of such influences. It will not come because of complaints or exhortation. Land ownership is the result of a favorable balance of prices, of the prices received in relation to prices paid. For this favorable balance all friends of agriculture must work.
Influence of Business Booms and Depressions on Farm Income

By George R. Davies

I FEEL a little hesitant in speaking to you, inasmuch as your interests are primarily in agriculture and mine relate to the study of business cycles. But I hope I may be able to bring some contribution in connection with this series of changes that has just been referred to—this series which shakes and disturbs the agricultural ladder.

I should first like to consider the relation of industry to agriculture during times of booms and depression. If we chart the index numbers of world agricultural production, particularly of foodstuffs, over the last 10 or 12 years, we get a line that runs along fairly regularly with only slight ups and downs.

Then if we put opposite these figures similar indexes of industrial production, we have a line which starts out a little faster, perhaps, in the period before the depression, runs along at a fairly good rate, then takes a plunge into the depression. That is, agriculture has gone on relatively smoothly, while industry has moved by fits and starts, and in these days perhaps more by fits than starts.

The depression through which we have recently passed, particularly as measured against our own historic changes, is much greater than any other depression. In the years up to the World War we were accustomed to think of a depression as a departure of something like 10 percent below the line of normal trend. Only two or three times did the line drop 20 percent below, while in the present depression it dropped to a point more than 40 percent below. The area of the trough of the curve, if you express it in value, is something like 200 billion dollars. Moreover, not only is it extremely deep, but the length is a record breaker, and still worse, we are by no means out of it.

The long-time trend of industrial production in the United States, as computed by Dr. Carl Snyder of the New York Federal Reserve Bank, records about 2½ percent increase per capita for 100 or 150 years. Except for minor breaks, this describes our industrial progress up to the period of the World War, and even through...
that period up to 1929. But now that line seems for once to be definitely broken down. It was safe to bet in former times that within a 5-year period you would come back to the line of trend, but now, after 7 or 8 years of depression we are still something like 15 or 20 percent below that long-time trend. There is no particular reason to think that the trend, itself, so far as productive capacity is concerned, has been broken. We have the machinery, men and technicians, perhaps more than ever, to maintain this rate of progress as it has been established in the past. Yet obviously we are failing to do so.

**Marked Improvement in Certain Countries**

Moreover, if we look abroad we see a rather disconcerting situation. Some European countries have come back; a few small countries have done fairly well. The only countries that have really, in percentage terms, made much of a record are those that have never experienced Democracy. It is somewhat disconcerting, if you stop to think of it, that we, after all these years of depression, are still wasting our resources through unemployment, while countries that drive their people, shaping despotic forms of society and aiming them directly toward war, are the countries that have recovered and advanced industrially.

Let me add one other item. The countries of Europe that have come back have come back very largely through government spending for armaments. Never has such a percentage of the resources of civilization been thrown into the channels of destruction as is true of modern times.

The booms and depressions of the nineteenth century are often misrepresented by statisticians who picture them graphically in an abstract form as fluctuations about a level line. Industrial production during booms and depressions was not really a series of ups and downs except with respect to prices. The price differentials, of course, particularly as between agriculture and manufacturing, naturally fluctuated, because when business produced less, agriculture, which was running along fairly constantly, had to trade its output for the decreased industrial output. But the reality of the booms and depressions of the nineteenth century isn't seen except as you get the charts of the various cycles in a world survey in a sort of geographical arrangement; then you can see what they were. They were pulsations of growth centering very largely in
Europe. Europe, and western civilization generally, had come into a period of tremendously rapid growth at the time of the first industrial revolution when power machinery was first applied. That was the time when frontiers were being opened. As the result of new inventions, two things are mutually interactive. New methods of production came into effect and more capital can be saved, the surplus passing largely into the hands of the European aristocracies and wealthy classes. These funds were invested in various parts of the world.

At times business ran too fast. Credit was overexpanded, and an unsound boom resulted. But soon, after shaking things down a bit, they got squared away to another expansion period. Evidently the disturbances which so seriously affect agriculture today are the events that mark the close of that great epoch of expansion. For what has happened is that capital, even more than population, does not now find the outlets that it formerly did. Consequently, it rushes into stock market speculation, and then loses confidence and causes breakdown through hoarding. Recently it has found an outlet in armament and war-like preparations.

Geographic Expansion Is Over

So the period of geographic expansion has definitely slowed down, and capital finds it difficult to secure outlets where risk is not exhorbitant. It is an idea that we hardly seem able to grasp in America. Naturally, we think of investment capital as something that is highly desirable. The flow of investment capital may be likened to a river, which, in the ordinary course of events, is a splendid thing. The stream is a means of communication and in various ways is useful to man, but let it mount up to a considerable height, as it did in the Ohio Valley recently, and it can work destruction. So investments, not finding adequate outlet in various parts of the world, back in on themselves and create the havoc that we see in our generation.

The problem of tenancy is simply one aspect of this whole situation. Capital, not finding more useful work to do, reaches out and buys up the land. Apparently when too large a percentage of income is set aside for investment, just as when too little is saved, trouble develops. Going too far is just as bad as not going far enough. The investment-consumption ratio must be adjusted to business needs if industry is to run smoothly.
During the last two or three generations we have seen an important change in the form of industrial organization. This change may well be considered a second industrial revolution.

As a consequence of this change in the form of industrial organization, business progress through applied science now is effected in a very different way from that which formerly obtained. Instead of the mechanic making inventions in his own workshop we now have the laboratories of the great corporations. The personnel of these laboratories is supplied through our public school system, which selects the more capable boys and girls, of outstanding ability, and passes them on to the high schools and universities. They are trained in the various technical occupations that are so important today, and the most capable are graduated from the universities to the great corporations. The representatives of the corporations visit the higher schools every year and select the talent that meets their needs. Young engineers and other technicians are put into laboratories where invention is carried on by the use of highly developed, mechanical appliances. They may carry on research for many years before results appear in the form of useful inventions of one sort or another. So the world has changed its type of organization into this highly organized, integrated society. Much of our difficulty with respect to markets and price levels comes as a consequence of this new type of organization. Markets do not operate successfully on the old laissez faire basis when they are dominated by a few sellers of great economic power. Moreover, the organization tends toward centralized control and regimentation, and is at present very unstable.

**Why Not Wait for Natural Recovery?**

I am glad that it is not a part of my problem this evening to attempt to indicate what the solution to some of these problems may be. I do not know, and I do not have any fixed theories in respect to it. I am, however, much interested in trying to follow the course of events. I hope that others far wiser than I will finally determine the solution and be able to apply it so as to bring us back to some degree of stability.

I hear people say, however, "Why shouldn't Europe, or America, or the world as a whole, wait for a natural recovery from depression?" There is a simple answer to this question. Natural recov-
ery in earlier days consisted largely in making adaptations to a new effort at geographic expansion. If an effective League of Nations could adjust the rivalries of nations, some further expansion of this sort might occur, but, as it is, unreasoning rivalries and jealousies block the way. There is, of course, some opportunity for expansion in connection with new inventions and new industries, but the volume of capital absorbed in this way is small as compared with the relative amount of capital that was required in the days when frontiers were expanding and population was increasing. Many new machines that are being put in at the present time are provided for by depreciation funds. The new machine is built to the design of the engineering department of the corporation and absorbs only a comparatively small amount of capital. Thus the outlets for capital are not enough to absorb available savings, as may readily be seen at the present time if you inquire among persons who are trying to find worthwhile investments.

I do not think that there is any simple panacea that will remedy the situation. The one hopeful thing is that the world disaster has made us think. This meeting is one of the indications of the means by which a balanced recovery will eventually take place, for everywhere men are thinking over these problems. An especially favorable feature of the situation in this country is that whereas in Europe economic theories are little more than rationalizations of group interests, in this country there is a more open attitude toward the whole problem. That is, economics is beginning to adopt an objective, factual approach, just as the physical sciences did about three centuries ago. The physical sciences began to achieve when men decided not only to theorize but also to observe carefully the facts of nature. Here in America, in respect to economic problems, we have at last taken the scientific attitude; we determine what the facts are, discuss them, and theorize about them in terms of reality.

So, as I look forward to the future, it seems to me that what is coming in the United States is a development in the field of economics parallel to the development of the physical sciences. We will work out a business economics and an understanding of our institutions that will finally enable us to realize the ideals that constitute our heritage. Equality of opportunity in an advancing civilization will become an established reality.
State and Federal Responsibilities in Improving Farm Tenure

By Edward A. O'Neal

IN CONNECTION with the tenant problem, I will give you a little personal story. I lived on a farm on the Tennessee River, was an active farmer until I was 47 years old, never did anything else. I had white and Negro tenants on that farm. They were in a sense like members of my own family. Their fathers and grandfathers had lived on that farm. Their children are still there. In periods of prosperity, when cotton prices were high, I used to brag as a farmer that I had a larger percentage of tenant farmers who had bought their own farms than any other farmer in my county. And yet I have lived to see those boys or their sons all come back. I was home last December and met a very distinguished old Negro, who had lived with me all my life, a little older than I, black as my shoes, but with a face as fine as any white man I ever saw. I said, “How are you, old fellow?” He said, “I got rheumatism pretty bad.” “What are you doing back home here?” I knew his son was here. He said, “Mr., you left home and the drop in the price of cotton came, and I done lost my farm.” “How many of those men that you and I have worked with through the years still retain the farm that they owned?” I inquired. “Only two,” he replied.

Now, my friends, there is a fundamental reason why two-thirds of the tenant farmers of the United States live in the South. First, it is because of the one crop production, one crop cotton. In any area of the world—Egypt, India, Alabama or Iowa—the farmer who produces one crop and that crop for cash, often has a hard time. Cotton is a commodity that through most of our history has gone on the world market. In the production of that crop after the Civil War, there were great areas of land with millions of people, so it was very easy to fall into the tenancy system. I regret to say that a large majority of those people, both Negroes and white, have a standard of living lower than any class of people in the United States, and it isn’t their fault—it is the fault of the policies, the national policies of this great country of ours.

If we would give the southern tenant farmer a farm and not stabilize his prices it would not be long, as evidenced by what I

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5President, American Farm Bureau Federation, Washington, D. C.
tell you from practical experience, until he would be right back where he is now.

**Should Approach Through the Owners**

I am glad to see the resettlement work that has been going on. If these farmers are helped just a little bit with stabilized prices they could own and operate farms. I feel that the approach to this important question is rather the approach from the standpoint of the farmers who now own or think they own their farms, in the spirit of cooperation and fellowship, to reach out their hands, go down there and help that unfortunate fellow. Dr. Alexander said in his report that out of 122,000 farmers in resettlement, about 11 percent within a period of 2 years, with a little help that the federal government gave them in those projects, were brought up to the state where they were capable of carrying the responsibility of farm ownership. The recommendation of my organization to the Tenant Commission and to the Congress is that, with small sums of money that the federal government will give us (I think about 50 million contemplated on the present bill), we can multiply that many times if we use it to bring selected tenants up as was done with the 13,500 in one year; bring them up so that they can be integrated in the credit system that is used by the American farmer.

I look back on 1932 and 1933 when the farmers of this country were outlining a policy by which we could pull American agriculture back and give hope and faith to industry. What did we ask for? A reorganization of our credit system, the Farm Credit Federal Land Banks. We asked for a more stable medium of exchange, an honest medium of exchange. We wanted a restoration of foreign trade, a fair tariff system. And, while we have gone a long way, we yet have much farther to go, and I want to say to you, Mr. Chairman, and you, far-sighted leaders of the Des Moines Chamber of Commerce, and newspaper people and Farm Bureau people in this state, I hope the day will come and come soon that the rest of the groups of America can do as the farm organization groups did when they went down to Washington in 1935 and enacted into law what I would say is the golden rule of America, all groups of America, in which we wrote into law that all we as farm people wanted was a parity price—that's all—no more, no
less. In other words, a ceiling. We only want a fair income, and we have challenged the world to take cognizance of the fact that farmers are the last bulwark of the capitalistic system. We say that we can be honest to labor and honest to capitalism. We want capital to have a fair return; we want labor to have an honest wage; and I think today if there is any group that as Howard Vincent O'Brien said 2 years ago, knows where it is going and how it is going to get there, it is the farm folks, and we want the other groups to join hands with us.

Until America realizes this human problem, until America does adopt this Golden Rule, I am afraid we are in for hard times. I have been in Washington since the meeting on Feb. 9 of the leaders of organized agriculture, as a representative of farm people, and I don't believe I ever saw so much unanimity of opinion, so much determination on the part of agriculture, and such a wonderfully broad program adopted.

This is a great state—and I am delighted to see unity of two great areas, Midwest and South. You have tenants up here for a reason different perhaps than we have down home; it is not a question of land or price of the land with us. We can buy all the land we want—it has never been a problem in the South—at a fair price; but it is a price insurance, if you please, that we need.

Cooperation Needed in Tenancy Problem

When you see the rice grower, the cotton grower, tobacco grower, the corn and hog grower sit around a table in Washington and outline a policy of the nation which we are trying to write into law for the benefit of American agriculture and the American people, when we can do that we can successfully tackle also this complex tenancy problem. We can get a proper balance between all groups, and then, Dr. Davies, you are not going to find these ups and downs in production and consumption. You will find a more even line of continuous prosperity. What a challenge, my friends, to accept! I am optimistic about it. I think it can be done if we just get our hearts and heads together, quit fighting in sections. I have often visited the halls of Congress and watched, and I have often wondered how we ever got anything done for the United States. I have seen why Pennsylvania got what it wanted; I have seen how Texas got some laws passed, and even Iowa got some laws passed...
—regionalism, sectionalism—and so few in those deliberative bodies knew there was a great United States, and there are mighty few yet who realize, even in Alabama and Iowa, that the farmers' welfare doesn't depend on what you do here in Iowa, but on what you do cooperatively with other states. I was profoundly impressed this summer down in Arkansas where all the good soil from this country has washed, driving over the country and hearing the head of the College of Agriculture make a speech. He told those farmers, "I have worked with you for 18 years in areas of this great state. Some of the richest lands in the world. I am saying to you upon many of whom I have conferred Master Farmer degrees, that in this modern, economic life, no matter how rich your land or how perfect your technique in agriculture, your welfare lies outside of Arkansas in the hands of somebody else." I don't think farmers of Iowa need to be told that, but I think you realize it from what Dr. Hibbard said about what happened in 1932 and 1933 to your corn and hog income.

I was certainly highly amused and entertained when, on the Farm Tenant Commission, the representative of the Farm Tenant Union of Arkansas, where they have had all this trouble, said he wanted some land. I said, "Brother, we are going to try help you get some land." He wanted that land for his 10 children. I said, "Let's all vote for it and then the land won't wander away." It is that old philosophy of ours embedded in us, the love of the land, still here, and I think the Congress is going to give us a law to give an opportunity to help this type down here that has been so helpless, to come along; but that will utterly fail, just as the old Homestead Act and the other things that we have done for farm people, unless you keep that price structure up here, and I am doing all that I can with all the brains that I can collect in Washington (you are supposed to have them all down there, they think so, anyhow), to try to write a law that won't be thrown out by the courts.

I remember years ago when my grandfather was Governor of the State of Alabama I advocated doing away with the crop lien. That was pretty radical, wasn't it, doing away with the crop lien? The trouble with most farmers, they have borrowed themselves into trouble. You know it and I know it ... I think and frankly feel that the state legislature ought to give homestead exemptions.
We are going to try to amend the Federal Land Bank Acts and Farm Credit Acts so that the Farm Credit Administration cannot loan money to anybody except the man who is going to buy a farm and live on that farm.

**More Than Cheap Money Needed**

But now, farmers, let me whisper something in your ears. I have led the fight that gave you the lowest interest rate you ever had in your life. That doesn't solve your problem. It helps you some, but don't forget low interest rate money often strikes you in the back through big corporations that are hunting investments in land. Cheap money is going to go out and drive up land prices, and don't fool yourselves now. I told the Farm Tenant Commission that I am perfectly willing to amend the Constitution, if such a thing is possible, so that in the United States no man can own land unless he lives on it and works it. Are you willing to go the limit? I will go with you on a sound policy.

I raised a lot of sand down there on that committee because I objected seriously to having the Secretary of Agriculture buying land through the corporation and then not having the title to that land transferred to the buyer even if he had the money to pay for it. They had it 40 years. They changed it to 20. I couldn't go that. The first thing you know Uncle Sam will be owning all the lands. Why not? I would be glad to sell him mine and I would go and take a little corner myself, but I do believe that the nearly 3 million tenants can be helped out here and be brought up to the state where they can be integrated with the rest of the farmers. That is all right. If he can't make it in 5 years, give him another 5, but in other words, let him have title to that land when he has paid for it. I told Pat Harrison, Chairman of the Finance Committee of the Senate last year, when I was a kid I heard Teddy Roosevelt (and I was for him), and I heard old Senator Borah and Norris and all of them talk about controlled monopoly, "Pat, if you just tax their profits, you will control them," and that is what they are doing now. If they will just take another step we will control them a little more. I am perfectly willing, if you farmers will tell your representatives in Congress down there, "Let's fix it so that the fellow that gambles in land, not the farmer who plants trees, takes care of farms, paints his buildings, but the fellow who is what
you call a speculator in land, has his profits taken away from him, then we won’t be worrying much about land speculation.”

After all, these things are practical. We have a way in America to do things; we are not making guns and ammunition; we are working for folks. When we passed our last agricultural bill we even got Tammany to vote for the bill.

If you think you on your Iowa land can wade your boat by yourselves, God help you, that is all I have to say. I thought I could do it; I sold 65 percent of my cotton to England most of my life, a world market, and I got poor as the devil and my mortgage got bigger. I thought I could do it, and I have seen more done since agriculture has been organized and awake, to educate the public in a fair way regarding our problems, than was done in all history previously. That is one crown we have as farmers of Iowa and the rest of the nation, we have educated the American people to realize there really is such a thing as a farmer.
State Action on Farm Tenancy

By Edward J. Meeman

THIS MEETING is very encouraging indeed because it does have the national and the American viewpoint according to our best tradition, and that is of getting together and discussing and compromising and agreeing. Unfortunately, we have another American tradition—that of conflict, of intolerance, of fanaticism, a tradition in which a majority of people sit back and let a few hot heads and extremists on both sides of any question run away with the situation.

George Fort Milton, a fellow newspaper man in Tennessee, recently wrote a scholarly and important book, “The Eve of Conflict—The Needless War”—the Civil war. We do not realize how needless that war was in spite of all the romance with which our school histories clothe it on both sides of the Mason and Dixon Line, or realize what a tremendous tragedy it was. Moreover, this tenant problem which we are discussing is largely an outgrowth of that calamity, and it was brought about by this latter tradition—intolerance on both sides of the question; the better sense of the great majority simply did not function. It is in meetings like this one where we, with good humor and tolerance, discuss the issues before us and thereby avoid another conflict (and we should fool ourselves if we thought we were incapable of another conflict—it would probably not be sectional, but probably might be a class conflict and of a bitterness such as we see raging in Europe). We are, when we lose control of ourselves, a people given to extremes and violent temper just as distinct as the good temper we show on other occasions, and it is only by this means of discussion that we can avoid such tragedies.

The Des Moines Chamber of Commerce is to be congratulated on sponsoring a conference in the interests of improving farm conditions, recognizing that the city is dependent on the country for its prosperity and that the men of the cities cannot be too much interested in the well-being of the farmer.

The report of the President’s Commission on Farm Tenancy asks for state action to supplement national action to cure the condition under which two out of every five farmers do not own

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their own land and 40,000 more farmers each year are losing the status of owners and becoming tenants.

State Action Necessary

A national problem so great and so far-reaching in its effects as the dispossession of nearly half of our farmers of course should have the attention not only of the federal government, which must take the leadership and lay down the main lines of policy, but also of the states, counties and individual citizens.

In considering state action we should have no illusions about what states are. We should not esteem their importance too much. I think we have been much misled in this country and have been insincere in our use of the term “states’ rights.” The South said it was fighting for states’ rights—it was really fighting for regional rights. It has not won what is just in the cause of regional rights and will not win it except with the help of the Middlewest.

We have not faced frankly what our states actually are. Only a few of them were little nations as they were theoretically conceived to be. Only a few of our states, such as Virginia, Massachusetts, and New York had a distinct character. The great majority of our states are the creatures of the Union; they are not little nations. They have very great differences within themselves, greater differences within themselves frequently than they have with their neighbors.

And then we saw again what a false cry states’ rights was in the recent campaign when it was raised by the Liberty League. They were not, of course, interested in states or in states’ rights, but only in a device to prevent national action. So we have not always been sincere about states’ rights, although it would be well for us to be interested in a better use of the states for what they are, and that is administrative units for the national scheme and units of local self government. They are important, but they are not what we have thought them to be. So when we consider what the states can do with tenancy, we should not be emotional about it.

That we can expect to see the active cooperation of the states was strikingly indicated by what has happened in Arkansas. In no state has the problem of tenancy been more acute in recent years or attracted more national attention. It is significant that in that very state a commission of citizens widely representative of every walk
of life and every economic interest and opinion adopted a report which was a forerunner of the national report and anticipated its spirit and principal policies.

We can do no better than examine the recommendations in this report if we wish to see what the leaders of one deeply concerned state are willing to do in cooperation with the national program, and I think we shall find that we agree that these things in the main are what should be done.

Two Phases of Problem

The Arkansas Commission clearly recognizes the double phase of the problem when it states that it is not only our task to guide and assist capable tenants to climb up into possession of land, but also to keep those now in possession from losing it.

Much deserved attention and praise has been given to that phase of the report of the national commission headed by Secretary Wallace which stresses the need of upholding and enforcing the constitutional liberties and legal rights of tenants. Our hope of succeeding in this endeavor will be heightened if we recall that this need was first stressed by the Arkansas Commission, when it said:

"We hereby affirm our adherence to the constitutional right of all citizens and classes of citizens to assemble, organize, and discuss such matters as concern them, and the constitutional right to petition government for redress of grievances.

"We hereby condemn all acts on the part of anyone to interfere with these fundamental rights of American citizens."

President Roosevelt, in sending the report of the national commission to Congress, spoke of the "American dream of the family-size farm, owned by the family which operates it." There is another unrealized American dream, that of government of the people, by the people, for the people—democracy. We hope by making the first dream come true to realize the second. Nothing will go farther to establish freedom than to secure people in the possession of farm homesteads. We can attain that goal only by invoking the spirit of that democracy which we strive to make permanent. The object is also the remedy. Therefore, this forthright assertion of the importance of civil liberties by both the Arkansas and national commissions is significant.

Francis Pickens Miller, secretary of the National Policy Committee, has defined liberty as "The condition in which all citizens
enjoy both freedom and security and in which there is the most perfect balance between freedom and security.” In establishing liberty the federal government can contribute more of security and the states can contribute more of freedom.

Says the Arkansas Commission:

"Since the program (of establishing tenants in possession of their own land) herein proposed will necessarily require time, and since many who are now tenants will so continue for years, it is highly important that proper steps be taken for their protection. They should be made secure in their life, liberty and property. The following measures should be taken:

"There should be . . . adopted a form of contract to be used between landlord and tenant, fair to the landlord, while securing to the tenant just compensation for his work, and a greater degree of security in his abode. The use of this contract should be made a pre-requisite to all Federal benefits."

This, I believe, is an excellent device to establish justice.

"That the Legislature so amend the law of procedure as to insure ready and prompt trials of disputed accounts between landlords and tenants."

Suggested Legislation

The national commission develops these suggestions more specifically by asking the states to undertake legislation providing that:

"(a) Agricultural leases shall be written.

(b) All improvements made by the tenant and capable of removal shall be removable by him at the termination of the lease.

(c) The landlord shall compensate the tenant for specified unexhausted improvements which he does not remove at the time of quitting the holding, provided that for certain types of improvements the prior consent of the landlord be obtained.

(d) The tenant shall compensate the landlord for any deterioration or damage due to factors over which the tenant has control; and the landlord shall be empowered to prevent continuance of serious wastage.

(e) Adequate records shall be kept of outlays for which either will claim compensation.

(f) Agricultural leases shall be terminable by either party only after due notice given at least six months in advance.

(g) After the first year, payments shall be made for inconvenience or loss sustained by the other party by reason of termination of the lease.

(h) The landlord’s lien shall be limited during emergencies such as a serious crop failure or sudden fall of prices where rental payments are not based upon a sliding scale.

(i) Renting a farm on which the dwelling does not meet certain minimum housing and sanitary standards shall be misdemeanors, although such requirements should be extremely moderate and limited to things primarily connected with health and sanitation such as sanitary outside toilets, screens, tight roofs and other reasonable stipulations.

(j) Landlord and tenant differences shall be settled by local boards of arbitration, composed of reasonable representatives of both landlords and
tenants, whose decisions shall be subject to court review when considerable sums of money or problems of legal interpretation are involved.”

I believe this program will be generally recognized as fair and sound and it is one which should be carried out by the states without delay.

Many will say, I am sure, that it does not suit the South because of the peculiar conditions of the South. This is perhaps, in some respects, true because our problem is different from yours. Here the tenant is in every way except economically, and sometimes that, the equal of the landlord. He is considered the equal in ability. He is not a class. He is as intelligent as the landlord. There is no class line. It is different in the South. The tenants are almost a class. It is easy to see why that is. Even before the Civil War the farmer who did his own work was not considered with the same high repute that he is considered in democratic areas of Europe. Because of the aristocratic system in which there were land owners who did no work and had slaves to do most of it, naturally the man who did his own work was not the social equal of the landlord.

Then following the Civil War we had our share-cropper system to which many of the white people were reduced and in which there is an increasing number of white people. The condition of the share-croppers is so unfortunate that they have tended to sink lower in the scale in many cases and certainly there have been few who could rise out of it. So there is in the South a class distinction that you do not have elsewhere, but our objective is the same as yours.

South Needs New Economy

We wish to achieve a democratic economy; we wish to achieve an economy in which the land owner, the operating farmer, owns the farm and works himself. We cannot continue with the cotton economy that has distinguished the South throughout its history.

It is probable that some of the tenant and share-cropper class are shiftless because of heredity or pure cussedness. We shall not know how large or how small this group is until we remove the other causes of shiftlessness.

One such cause is the lack of incentive for improving their condition. If, by the program just recited, we assure them that they will receive the fruits of their labor in any one year and that they
may have continuity and security of tenure through a period of years and thus enjoy any improvements they make in their holdings, we shall give them an incentive to endeavor that many now lack.

But many of them, through lack of health, education, and training, would still be in no condition to take advantage of any improved opportunities that may be offered. Many are afflicted with energy-sapping diseases such as malaria, pellagra, hernia, bad teeth and tonsilitis. Col. Lawrence Westbook, chairman of the advisory board of the WPA and head of the foundation which governs the Dyess community in Arkansas, reports that practically every family, when examined at the clinic for admission to the community, was found to have one or more of these ills. After a few months of treatment their appearance and morale were transformed. Their children, when sent to public schools outside the community, led their classes.

Education and agricultural training doubtless will make an equally striking change in many of the tenant and share-cropper class.

The fields of health, education and training are especially suitable for state activity, but even here the federal government can help. The agencies dealing with farm tenancy have a difficult and challenging, but potentially fruitful, job in correlating federal and state activities without duplication and waste.

But the states should not be content with such measures. To realize the American dream we need a more realistic land policy and an improved pattern of rural life. We need to do more than ameliorate rural life. We need a different foundation than that which has resulted in two out of five farmers becoming landless.

We have been too content in America to have the shadow instead of the substance. We have thought of ourselves as a nation in which private property was highly esteemed and widely held. The fact is most of our people do not own any property to speak of, and many of those who own it have good reason to fear they will lose it. We wish to be a nation in which individual initiative and energy are rewarded, but millions of people are without any real hope of advancement.

**Different Land Policy Necessary**

We have thought of fee simple ownership of land as assuring individual security of possession, but it has not worked out that way. The right to sell to anybody has resulted in land drifting into the
hands of a few large holders, rather than many small ones. The right to mortgage land has only proved to be the right to lose it. The right of a man to do what he pleased with his land has resulted in the washing away and the blowing away of soil—and that is confiscation of the property rights of future generations of men to use and enjoy that land. If we want permanent farm homesteads—and without them we cannot hope to have an enduring civilization—we must have a different land policy.

Into the hands of the states have passed many acres of land through tax delinquency. Here is an opportunity to the states to initiate a sounder land policy. Let the states not sell this land in fee simple. Let them, instead, lease it for an indefinite period under terms which will place the user of that land, not in an insecure ownership, but in secure possession of it. Let that security of possession depend not on the whims of weather and the market, but on the practice of sound methods of farming and soil conservation. Let the lease not be subject to transfer except to another practical, resident farmer, satisfactory to the supervising state and federal agencies.

In many cases, these state lands are in large enough tracts for the establishment of a permanent farm community. Where they are, or can be so made by a swapping process, the states should, with the help of the federal government, plan such a community. One of the curses of farm life has been its social isolation. Another has been its economic isolation. Such isolation will be avoided if a large tract is divided into individual tracts in such a way that the houses can lie close together, and the major crop land lie contiguous and unbroken by buildings. This will put the families in desirable proximity with their neighbors, and permit cooperative farming, or at least the cooperative use of machinery, on the major crop land if that should ever prove desirable.

I should like to say in making this suggestion that I have in mind the conditions of our vicinity where the small-sized individual farm is capable of such an arrangement. I do not know whether in the Midwest such an arrangement would be at all feasible.

**No Place for Corporation Farm**

In such a set-up the farmers will have whatever advantages lie in both individualism and cooperation. Whatever he can best do by
himself, he will be situated to do by himself. Whatever he can do best in conjunction with his neighbors, he will be situated to do with them. The great centralized autocratic corporation farm (which states should discourage by taxation) either here or abroad, would have no competitive advantages over such a community.

There are dangers in collective ownership of land. If a man possesses nothing but a piece of paper indicating his share in a cooperative, to vote in the community meeting, his position is weak and the affairs of that community could more easily be mishandled by internal politics or outside interference or chicanery. But if each member of the community has his individual tract of land securely in his possession, he is morally in a stronger voting position in any cooperative enterprise which he may see fit to join. In such a set up you have all of the advantages of individualism and cooperation, to be drawn upon strictly according to their usefulness at any given time. The farmer would not be limited to his own isolated efforts, nor would he be at the mercy of a collective.

In such a community could be provided health and recreation facilities equal to those now available in cities. There could be a good-sized community forest, so necessary to balanced land use and to balanced living. A concentric series of such hamlets could be grouped about a village, and in that village there would be room for a small industry to employ members of farm families.

States, by cooperating with the federal government in such a program, will lay the foundation for a rural civilization, which is the only kind that will renew itself and endure.

Such a program cannot be carried out by public men and officials who are limited by the petty business greeds, petty political rivalries, or petty bureaucratic jealousies. It will require men self-dedicated to a Greatness outside themselves—the building and securing of a democratic American civilization that will be worthy of the God who made us and of the good earth He gave us.
Credit Policies That Will Give Us a Better Agricultural Ladder

By Albert S. Goss.

THE subject assigned to me is, "Credit Policies That Will Give Us a Better Agricultural Ladder." When I first read it, I confess I didn't know what it meant. I'm not so sure about it even now. The Agricultural Ladder plainly means improving the status of agriculture, but I am not quite sure whether I am expected to discuss the provident use of existing credit facilities or the advisability of providing additional facilities. An economist friend suggested that I might discuss it from both angles without saying anything. I hope you will not feel that I am trying to take his advice.

First, let us consider what we mean by improving the status of agriculture. It seems to me that the ideal we should strive for is as high a percentage as possible of farmers who own their farms free of debt, who are able to provide the conveniences and comforts of a modern home, and who are able to provide for their families educational and social opportunities comparable to those available to the average citizen engaged in other vocations. Of course, it would be foolish to expect that everyone who starts farming could start out in such a position, but it is not setting our aim too high to expect that a capable and industrious farmer may attain this end within a reasonable number of years under normal conditions if he applies himself diligently to his task.

The question before us, therefore, seems to be how the use of credit will facilitate attaining these ends—home ownership, modern conveniences, educational and social opportunities. Obviously, it requires both capital and income to provide these, and the question is what part can credit play in providing them.

First, we might ask ourselves, "Can agriculture use credit advantageously?" I have some reservations in answering "yes," because lots of farmers not only do not need credit, but suffer seriously by using it. Before going into detail, let us consider 4 simple rules which I believe will apply to agricultural and non-agricultural borrowers alike:

One should borrow only when there is a reasonable expectation

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that the use of credit will improve his position or earning power, and thus enable him to repay the borrowed money when due.

Credit will never replace lack of income.

The giving of security does not discharge the debt.

The safest loan is that which is best adapted to the borrower's capacity to pay.

It seems simple, but oh, the mistakes that are made either through ignoring these rules or in misjudging the ability to repay. The losses which follow such mistakes are appalling.

Three Types of Credit Demanded

In considering agricultural credit we find that there are 3 distinct types: Capital credit to enable one to buy or own a farm, production credit to enable one to raise his crops, and marketing credit to enable one to market his crops to the best advantage. Time will not permit a detailed discussion of all 3 types, so I will touch on production and marketing credit but briefly—not that they are less important, but because they do not concern so directly some of the problems which I wish to discuss.

Most farmers must meet unusually heavy seasonal expenses at some period each year. It is quite customary to meet them either by doing without things which could be put to prudent use, by running charge accounts, buying merchandise or supplies on time, or by the time honored “stand off” method. Money wisely borrowed frequently enables the farmer to pay cash for what he needs and buy to much better advantage. People who make dealing in credit their business can usually furnish it to the best advantage, and people who have goods to sell can sell best for cash, so the provident farmer will usually find substantial savings available to him if he uses his credit wisely both for production and marketing purposes. If he needs additional credit for 3 or 4 months only, he is much better off to invest any surplus funds he may have in something that will keep those funds at work the year round, such as farm improvements, for example, and to borrow the money each year to meet his temporary production and marketing needs. One thing he must know, and that is that funds will always be available for him on reasonable terms, when needed. That, I suppose, is the principal reason why farmers have established their own cooperative production credit associations. They can get the money when they
want it, at reasonable rates, and on the terms best suited to their needs.

Returning to capital credit, I wish to discuss briefly some of the factors which determine the ability of the borrower to repay a loan. First, I would list earnings, second, terms of repayment, and third, interest rate.

We are discussing agricultural credit and I assume that the earnings are dependent upon the production of the farm. It seems so obvious that there must be sufficient earnings to pay the living of the operator, his operating expenses, his taxes, his interest, and something to retire the debt, that it ought not to be necessary to take time to discuss it. However, our experience indicates that a majority of applicants for loans do not consider very seriously the extent to which the earnings of the farm will meet the charges. Most of them base the amount of the loan they apply for either upon the amount of their existing debt or the price they have paid for the farm. Neither of these factors has anything whatever to do with the ability of the borrower to retire a debt. For many years it has been largely customary for lenders to base their loans upon the sales value of the farm. This policy assumes that economic law will adjust the value to earning power, but such is not always the case for current values are apt to be influenced too greatly by violently fluctuating earnings. We all remember what $2 wheat did to land values, and I think most of us agree that inflated values contributed in large measure to the losses which carried deflation to such extreme depths. We also remember that during the depths of the deflation there was no sale value for farms, and it was not until the Farm Credit Administration resumed lending in volume on the basis of normal values that there could be said to be any true sales value on most of the farms of America. A sound lending practice for both borrowers and lenders would have been to cut off credit when some of our $100 land was selling at $300 and $400 per acre, and to lend freely when prices had dropped to rock bottom and land would not sell at all.

Values Should Be Based on Returns

It therefore follows that sound agricultural credit is not based upon the selling price of the land but should be based upon the production, because the loan must be repaid out of the proceeds of
the farm. For reasons which I will discuss later, most farm loans are now being made for terms of longer than 5 years, many being made up to 20 or 30 years or more. Obviously every effort should be made to base the amount of the loan upon the average income which it is expected will prevail during the years in which the loan will be repaid. In attempting to assure that the Federal farm loan system should base its loans upon this sound principle, Congress adopted a new policy in 1933 and declared that Commissioner loans should be made on the basis of normal values. Nobody knew exactly what normal values meant, so a comprehensive study was undertaken extending over more than a century. Time will not permit describing the study in detail, but it resulted in adopting the average commodity price level which prevailed during the 5-year period 1909-1914 as the normal price base. This does not mean adopting the price of land which prevailed during those years. It means that we estimate the earnings from crops by applying these normal prices to the expected yield in order to determine the gross revenue. After the net revenue is determined by deducting the estimated expenses, we begin to get down to actual figures indicating the amount of loan the farm may be reasonably expected to support.

Now the farm must do something more than pay the expenses, the taxes and the interest on the loan. It must make enough to retire the principal. Before the passage of the Federal Farm Loan Act with its provision for amortized loans, it was common custom to make short-term loans without requiring any payment before the final due date of the loan. Then the loan was usually renewed, and frequently increased if land had gone up. This system kept farmers in debt, and I submit to you that a farmer who is constantly in debt and is constantly under the threat of losing his farm is in no better position than a tenant. If our agricultural ladder means anything, it means getting out of debt. That is one of the prime purposes of the organization which I represent, because we make no loans except upon an amortized basis. This means that the production must meet the expenses and provide enough to pay something upon the retirement of the debt each year. Therefore, the term of the loan is very important. A loan for a very much larger amount can be granted if the repayments are extended over 20 years than if they are extended over 5 years. The law permits
making land bank loans up to 40 years and there is some agitation for amending it to provide for 60-year loans.

**Longer Term Loans Unnecessary**

When we get up to 30 odd years, the amount necessary to retire the entire loan amounts to but 1 percent of the total initial payment on all loans made under the standard plan, which provides payments of equal size throughout the life of the loan. The difference between the payments on a 33-year loan and a 60-year loan are about $\frac{1}{2}$ of one percent, and I submit to you the reasonable proposition that if agricultural earnings have diminished to a point where it is necessary to carry a debt for three generations rather than pay it off in one lifetime, merely because of a margin of $\frac{1}{2}$ percent, agriculture certainly has little to look forward to. In other words, I don’t think we need a 60-year loan and I believe most farmers would be better off if they could base their finances on loans of not to exceed 20 years. This gives them hope of getting out of debt and reaching that ideal status which is our goal.

The third important factor in determining the ability to repay is the rate of interest. This rate is dependent to a considerable degree upon the money market, but is even more dependent upon the degree of assurance which the lender has that the loan will be repaid. There are a number of factors entering into this assurance in addition to the earning power of the farm and the term of the loan. Among them, I would name the character of the borrower, the sales value of the security, and the laws of the State governing the making and collecting of loans.

You will remember the rule “the giving of security does not discharge the debt.” When one borrows money, he promises to pay it back. The money is loaned upon this promise whether security is taken or not. Lenders would not lend if they did not expect the borrower to keep his promise. Security is frequently taken to protect the lender in case the borrower should fail to keep his promise, but taking security is incidental to the real transaction, which is borrowing upon the promise to repay. If the borrower does not repay, the lender may find it necessary to take and sell the security which may be sold at a heavy loss, leaving the borrower without his property and still owing on the note. Such possibilities are frequently ignored when one is borrowing money, but they emphasize the need for following the rule of basing the debt upon the ability to repay.
I have discussed some of the sound principles in making loans. It may seem that I have approached it from the standpoint of the money lenders. I do not think this is correct, for the interests of the borrower and the lender are mutual in many respects. In passing upon lending policies, I have invariably attempted to measure them by the rule that the safest loan is that which is best adapted to the borrower’s capacity to pay. Such a loan is the safest for the lender to make and is the safest type of loan for the borrower to assume.

It is surprising how frequently these principles are ignored. If you had an opportunity to sit upon the hot spot occupied by the Land Bank Commissioner, you would find that we are constantly under the most urgent pressure to make no collections, stop all foreclosures, scale down the amount due, abolish deficiency judgments, and lend more liberally to all kinds of borrowers at lower interest rates. These things just don’t make sense. The facts are that if collections are not kept up, losses will ensue and it will cost more to borrow money. If deficiency judgments are abolished, the risk to the lender is increased very materially and he will lend less money and charge higher interest rates. We cannot eat our cake and have it too. There must be an economically sound balance in providing a system which renders adequate service and provides that service upon the best terms possible both as to interest rates and terms of repayment. The movement which has been so pronounced the last few years to harass lenders to the point where there is doubt about their recovering the amount of the loan will only serve to destroy credit if not restrained. Admittedly, there have been many abuses in foreclosures, and many abuses in deficiency judgments. The remedy is to use discrimination in finding means to check these abuses, and not to adopt any sweeping policy which will destroy all credit. Summing up, if agriculture is to have dependable credit at low interest rates, the interests of the lender must be protected.

**Creditors Must Use Discretion**

While we are discussing the subject, let me pause to outline the collection policy of the Federal land banks. If a borrower is able to pay, we expect him to pay. If he is not able to pay, we endeavor to determine whether he is worthy of assistance by applying four tests. He must be doing his honest best. He must take proper care of the property. He must apply the proceeds of production
properly. By this we mean that after a reasonable living and the payment of necessary operating expenses, he must apply any surplus upon taxes and upon installments on his loan. No one can quarrel with these three requirements, nor do I believe that the fourth can be reasonably questioned, although there are some heartaches in it. Fourth, we require that the borrower must be able to carry a reasonable burden of debt under normal conditions. To illustrate the needs of this fourth condition, I sometimes cite the case of a negro borrower 96 years old, who was endeavoring to farm 160 acres. Because of his age, he couldn't do more than scratch around a bit on a couple of acres. He was doing his honest best, which wasn't much; he was taking proper care of the property within his capacity to do so; and he was properly applying the proceeds because he was eating them all up. However, he could not carry a reasonable burden of debt under normal conditions, and he was rapidly approaching the point where the taxes would take away his farm. In cases of this kind, it is the most humane thing to do just as was done. The bank assisted in finding a buyer for his place, and with the proceeds he was able to enter a comfortable old peoples' home. Unfortunately, however, they don't all turn out so well.

I believe that most institutional lenders are following approximately the same policy in regard to collections, and it seems to me that worthy borrowers are amply protected by a policy such as this. If this is the case, it would appear absolutely unsound to seek legislation which applies to all creditors alike and which would have the effect of seriously injuring credit, in order to control abuses of a relatively small proportion of creditors which might be reached in some other manner. Neither should it be forgotten that there are among borrowers a certain number—fortunately relatively few—who are naturally deadbeats and unworthy. Such as these will gladly resort to political means to avoid paying an honest debt if they can do so, even though by so doing they may be seriously impairing the credit available to others and helping to increase interest levels.

Having discussed some of the principles underlying sound extension of credit, let us endeavor to apply these principles to today's problem.

I recently heard the question asked, "Why don't farmers ever
get out of debt?" The answer is, they do, most of them, but there is a new crop of debtors coming along each year. Older men are retiring and younger men are coming along to take their places. The young man bent on farming usually works for wages for a while, then rents and finally buys. When he rents he usually has to supplement his savings with production credit, and when he buys he usually needs both production and capital credit. The basis upon which this credit is secured often means the difference between success or failure, and whether credit is available frequently means the difference between wage worker and renter, or between tenant and owner.

**Credit As Credit—Not As Relief**

Much has been said recently about the tenant problem and there is a good deal of agitation for legislation to help alleviate the situation. No doubt credit will play an important part in anything that may be done. Let us hope that credit is treated as credit, and relief as relief. If credit is extended in amounts or on terms not fitted to the borrower's capacity to pay, we will have but aggravated rather than relieved the situation.

The problem is a serious one, and while I realize that the use of figures taken on a national scale may lead to erroneous conclusions, nevertheless such figures indicate some significant and interesting trends. In 50 years, tenancy has increased roughly from 25 percent to 42 percent. The exact figures are:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1880</td>
<td>25.6%</td>
</tr>
<tr>
<td>1890</td>
<td>28.6%</td>
</tr>
<tr>
<td>1900</td>
<td>35.3%</td>
</tr>
<tr>
<td>1910</td>
<td>37.0%</td>
</tr>
<tr>
<td>1920</td>
<td>38.1%</td>
</tr>
<tr>
<td>1930</td>
<td>42.6%</td>
</tr>
<tr>
<td>1935</td>
<td>42.1%</td>
</tr>
</tbody>
</table>

This is not the only indication that farmers are gradually losing ownership of their land. The percent of farm operators who have shared the farm income with either a landlord or mortgageholder has jumped from 41 percent in 1890 to 58 percent in 1930, the exact figures being:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1890</td>
<td>41%</td>
</tr>
<tr>
<td>1900</td>
<td>46%</td>
</tr>
<tr>
<td>1910</td>
<td>50%</td>
</tr>
<tr>
<td>1920</td>
<td>54%</td>
</tr>
<tr>
<td>1930</td>
<td>58%</td>
</tr>
</tbody>
</table>

One of the most significant trends, however, is the falling off in farm ownership by young men. In 1920 there were 534,868 white farm owners between the ages of 25 and 34, but in 1930 this had been reduced to 317,478. Here, it would seem, is the place where we
might expect trends of the future to begin to appear, and the record is not encouraging. A drop from 500,000 to 300,000 in 10 years indicates that a large part of the falling off in farm ownership lies among the young men, so let us put as one of the needed rungs in this ladder:

The need for making it possible or more attractive for young men to become farm owners.

But let us not be mistaken. Lack of credit is not the only reason why young men have not become farm owners. The principal reason is lack of income. The lack of adequate income has not only discouraged many boys from following agriculture as a vocation, but those who have tried to follow it have too frequently been unable to accumulate enough to become farm owners.

Let me repeat right here, as emphatically as I can:

Credit will never replace lack of income. Where there is no net income there should be no credit. This sounds like a simple rule, but it is very widely abused. For example, there are thousands upon thousands of subsistence farms where the farmer can barely eke out a living for himself and family. Through frugal practices he may be able to live fairly comfortably if he keeps out of debt, but if he incurs a debt and does not use the money to increase his income, he will only have succeeded in saddling himself with additional expenditures which he cannot meet without depriving his family of something essential. His farm may be worth 2 or 3 thousand dollars because someone is willing to pay that amount of money for it in order to be assured of some place to live, but it does not follow that this farm would be the basis for sound credit, because it will not produce enough above a scanty living to meet the cost of carrying credit. As another rung in our ladder, let us say that when there is enough income to meet the living and operating expenses, pay the taxes, and enable the owner to pay something toward buying the land, a type of credit should be made available to worthy tenants to enable them to become farm owners.

Capacity to Repay of Prime Importance

Many borrowers get into difficulty because their loans are not properly adjusted to their capacity to repay. Until comparatively recently the borrower was always expected to meet the convenience of the lender, and frequently this resulted in terms which seriously
handicapped the borrower. The advent of the Federal farm loan system marked a decided step forward in farm credit practice. However, there is much yet to be done. Extending credit to a dairyman who has a comparatively stable income is quite a different thing from extending credit to a wheat grower or a cotton grower whose income fluctuates violently. Most lenders are dependent upon the income from the money they have loaned, and they are not in a position to await the convenience of the borrower to make payments. This makes it difficult to develop a type of credit which will permit the borrower to pay his interest and apply large sums on the principal in good years, and to defer payments on either principal or interest in bad years. This problem is commanding the attention of some of the most forward looking lending institutions and to my mind is one for which a solution must be found if we are to attain our ideals in climbing this agricultural ladder. So let us place another rung in our ladder by developing types of loans best adapted to the individual borrower’s capacity to repay.

In this connection, I wish to call attention to a most constructive forward step in credit which has been introduced by the production credit associations. In extending short-term credit, they have developed a practice of analyzing the borrower’s operations and lending upon a very definitely budgeted program. While this practice is not so practical for long-term credit, nevertheless, the same principle obtains. It is but a method of determining the capacity to pay and fitting the expenditures to meet the available income. I would list extending credit on the budget basis as one of the rungs in our ladder for better agriculture.

I believe that one of the necessary rungs in this ladder is a reasonable yet adequate interest rate. I say adequate because the interest rate must be sufficient to attract capital after meeting all losses and expenses. The cooperative land bank system is trying to accomplish this purpose by pooling a large number of mortgages. As you know, bonds are issued against these mortgages and sold to the investing public. A borrower is charged a rate of interest 1 percent higher than the rate of the last bond issue. This 1 percent “spread” must be added to pay the expenses of operation and meet losses. Out of this, also, must come any earnings or dividends to farm loan associations, which in turn will be able to cut down the cost to the borrower by paying dividends on the borrower’s stock if there are
earnings sufficient to make this possible. Time will not permit describing the system in detail. I should say, however, that we are now engaged in a program of building and strengthening these co-operative national farm loan associations.

It is our belief that the greatest service can be rendered and the greatest economy achieved if these associations not only exercise extreme care in making the loans, but also look after the collection of the installments and the servicing of any real estate which may come into the possession of the association or the bank. The association has endorsed every loan made through it, and it is to the best interests of its members to see that the loans are properly looked after. In our judgment the officers of the association are in a better position to watch the loans, make the collections and service the real estate than is the bank which may be located several hundred miles distant. Our farm loan association program is one of the steps being taken to promote efficiency and safety, and, indirectly, lower cost of money.

Prevent Inflation

I would name as one rung, the necessity for preventing inflation in land values. I know of no greater influence to accomplish this result than the wise extension of credit. In this connection I would like to point out what the effect of subsidizing interest rates will be if adopted as a permanent policy. It will have the inevitable effect of inflating land values because of the economic principle earlier referred to. Just as borrowers are willing to borrow as much as the net income will support, so are buyers willing to buy at figures limited only by the amount the farm can be made to pay interest upon. If money can be borrowed for 3½ percent, they will pay a great deal more than if money can be borrowed at 7 percent. While the subsidizing of present debtors would make it easier for them temporarily, those who follow will pay the price and reap none of the benefits. In this connection I wish to quote from an address recently made by Governor Myers, in which he pointed out some personal observations made in Ireland.

“In 1901, 1902, and 1903 the British Government bought land owned by nonresident landlords to sell to the sitting tenants in Ireland. They sold those lands on very attractive terms, on a long-term amortized loan that ran over about 65
years. The actual interest rate varied from year to year, depending on conditions, but was around 3 percent. As recovery came about and continued, the ability to buy a farm on a long-term mortgage at a low rate became a valuable property right.

"I visited many of those fine farms in southern Ireland in 1926. And at that time what they called the ‘tenant right’ to some of those fine dairy farms was selling for $150 to $200 an acre. In other words, a generation later anybody who wanted to buy one of those farms had to pay $150 or $200 an acre for a farm which had a mortgage which still had over 40 years to run. In other words, subsidizing interest rates at Government expense created a valuable property right which was very nice for those who got it, but did not constitute a permanent solution of the farm-ownership problem. It was just as hard for the next generation to buy farms because they had to buy out those who had a valuable property right, whether they were nonfarmers or the heirs of a farmer who had to buy out other heirs.

"Miracles don’t happen in the field of farm credit, as far as I have been able to observe. And very low interest rates— I mean by that 2 and 3 percent interest on farm mortgages—cannot be had without costing somebody something."

Erosion Control Needs Consideration

I want to add another rung—preventing the mining of the farm. If values are placed too high, if the interest is too high, or if the terms of repayment are too short, the farmer who has to pay the taxes and meet the payments on the debt is very apt to sacrifice soil fertility for immediate cash returns. I think a great deal of our erosion and soil destruction has been due to excessive debt or debts, not wisely adjusted to the capacity of the farm to pay. On the other hand, great care must be used in land which is subject to erosion to assure sound farm practices. Some loans need constant supervision to assure against land deterioration. This costs money and may require additional interest rates, but if we are to lend with safety the different types of farms must pay their way, either through adequate interest rates to cover the cost, or through reduced values with lower taxes and lower debt service charges. In land thus subject to erosion, the safety upon which any sound
credit system must be built demands shorter term loans than could be safely granted on loans on more durable soil. This automatically limits the amount loanable and thus the value of the land. This is a sound principle which must be followed if we are to use credit as an agricultural ladder.

Time will not permit discussing many uses of credit, some of which I am merely mentioning because their importance is so obvious that detailed discussion seems unnecessary. Among these, I would list the following as among the most important rungs of our ladder: Home improvement; a prudent building and equipment program; the proper stocking of the farm; and a sound marketing system. These present some of the most constructive opportunities for the use of credit, if based on the four rules I first mentioned. However, there is another rung which is essential to any well rounded credit system. A dependable type of credit must be available. One of the impelling reasons for the passage of the Farm Loan Act was the fact that in large areas there was no dependable source of credit available at rates which agriculture could meet. Four years later, when the necessary credit for carrying the farmer’s goods to market was cut off, it became apparent that there must be established some dependable source of production and marketing credit, resulting in the passage of the Intermediate Credit Act. Later when all types of institutional and private credit dried up, the Emergency Farm Mortgage Act was passed, enlarging the activities of the Federal land banks, and the Farm Credit Act was passed under which the Banks for Cooperatives and the Production Credit Associations were established. All these institutions are designed to furnish a dependable source of credit, based upon cooperative principles. The money loaned is obtained chiefly from investors who desire to invest their funds upon varying terms, and the money thus made available is distributed to farmers in the most distant corners of the country through the machinery provided by this system. It seems to me that this is a more dependable system than any other which might be developed. If entire reliance is based upon financial institutions which deal in all types of credit, experience has shown that credit to agriculture is sometimes curtailed because of the demands of other industry which is willing to pay better prices for money, even though such demand is but temporary. If dependence is based upon subsidies granted by...
Congress, we cannot overlook the fact that no permanent reliance can be placed upon this source. We do not have to turn back far to recall the day when the high cost of living was one of the most important issues in our political life, and was largely ascribed to agriculture. It is not unlikely that those days may come again, and it is well to remember that the farm population comprises less than 25 percent of the population of America. It seems extremely unlikely that Congress could be expected to continue paying subsidies to agriculture under such conditions.

**Cooperative Credit An Important Rung**

I feel that the greatest assurance of permanence in a sound credit system can be had through developing a cooperative credit system owned by the farmers and operated for the benefit of the farmers, and if credit is to be the kind of agricultural ladder we have discussed, it seems to me that such a cooperative credit system is one of the most important rungs in the ladder.

So if I were to build a ladder of credit policies to advance the interests of agriculture, I would build a step ladder, for I would want to set it up on the four rules I have described:

Let me repeat, “One should borrow only when there is a reasonable expectation that the use of credit will improve his position, or earning power, and thus enable him to repay the borrowed money when due.

“Credit will never replace lack of income.

“The giving of security does not discharge the debt.

“The safest loan is that which is best adapted to the borrower’s capacity to pay.”

If these rules are followed, I believe a dependable and permanent system of cooperative credit can be developed which will aid very materially in solving some of our most serious economic problems, and improving the status of agriculture so that we can keep some of the best blood of America on our farms. But let us be sure to recognize the limitations of credit and avoid using it where other remedies are called for. Otherwise, we will be but accumulating trouble for the future.
Farm Tenure From Standpoint of Institutional Owner

By Gerard S. Nollen

All human ills are traceable to one of two general causes. For the want of a better name, I shall call one of those causes “Acts of God”; the other cause I shall designate as “intellectual poverty.” By intellectual poverty I mean not only lack of intelligence in the application of personal effort, but also, failure to understand the problems involved in all of our human relationships. Take, for example, the failure to recognize the fundamental fact that modern life is a cooperative enterprise; that because of complete interdependence of all sections of our country and of all business and industrial enterprises, every man is, in fact, his brother's keeper, whether he wishes to be or not. Our modern economic machine has lifted the question of cooperative effort out of the realm of philosophy and has made it the ruling power in the realm of reality. There is no more important element than that in the whole modern picture.

Intellectual Poverty and Farm Tenure

The problems we face with respect to farm tenure fit into that general pattern. Drouth, floods, and plagues are “Acts of God” against which we may fortify ourselves, but over which we have little control. Intellectual poverty manifests itself in many ways, such as: poor farm management; unintelligent marketing of crops; failure to build cash reserves in good years as a protection against the coming “rainy day”; failure to recognize that farm debts and farm purchases must be based upon normal earning power and not upon speculative value; failure on the part of the tenant to apply the maximum of his ability in operating the farm; failure of the landlord to apply the Golden Rule in his dealings with a tenant. Such intellectual poverty is due, in the main, not to avarice or malicious intent, but to a lack of clear vision—a lack of understanding about the imperative need for intelligent, impartial cooperative effort in the modern world. Those delinquencies can be eliminated in no other way than through education. There is no substitute for faithful performance, and that cannot be created through legislation. Unless the landlord recognizes that it is good business for him to treat his tenant fairly, unless the tenant recognizes that it

8President, Bankers Life Company, Des Moines, Iowa.
is good business for him to perform his services to the best of his ability, no written contract will make that relationship of owner and tenant satisfactory.

The conclusion I have just drawn is not intended to imply that we should refrain from enacting reasonable laws which establish basic rules of procedure with respect to land tenure. In agriculture, as in every field, unfair practices arise unless the parties to the agreement are bound by reasonable requirements of a general character. However, laws relating to land tenure should be limited in their restrictions to those of an imperative character and should be drawn with due regard for the requirements of the various types of land tenure.

Importance of Perspective

In all matters of this character, it is highly important to acquire the proper perspective. Thus we avoid being led into errors resulting from the improper generalization of specific instances; we are not tempted to limit our horizon to the specific problems we see before us; we are led to consider all of the underlying causes which have been responsible for creating the unhappy state of things rather than to seek a theoretical solution based solely on current conditions. There is not time here to consider underlying causes in detail, but we can, with profit, review very briefly the events of the past in the field of agriculture.

For almost half a century prior to the World War, agricultural history recorded a gradual rise in farm values. By 1914 the belief was well established that there was a speculative advantage in dealing in farm properties. Then came the World War with its tremendously inflated commodity price levels, and that influence, superimposed upon the previous record, added fuel to the flames. The results of that orgy are too well known to need description. Then the slump came in 1922. However, that slump was almost universally regarded as merely a temporary setback, and the speculative psychology continued to survive until the recent world-wide depression brought home to us the folly of speculative excess.

Education the Paramount Need

That is the picture we should keep clearly in mind as we seek solutions for all of our agricultural problems. With that picture
in mind, it becomes evident that the present situation with reference to farm tenure is the logical result of the blind, misguided optimism about farm land values which developed at an increasing pace for more than half a century. We sowed the wind; inevitably we reaped the whirlwind. The desire for financial gain was perhaps the most potent factor, but it cannot be said that our difficulties are due in the main to excessive avarice or ethical delinquencies. The forces which led us into our unhappy state were like tares sown with grain, not with malicious intent but through intellectual poverty. Thus I say again, that while constructive, corrective measures, such as proper legal restrictions and other palliative governmental activities, are desirable and can be made helpful, nevertheless our main problem with respect to land tenure is to eradicate the intellectual poverty, which is the real Sengambian in the wood pile. An effective solution of our problem demands the persistence and the patience involved in an adequate program of education. In that respect our misfortunes can be turned to advantage, because those very misfortunes have enhanced the fertility of the educational soil. Surely it should be possible now to minimize the speculative element in farm tenure and to restore farming to its rightful place as a highly desirable way of life, instead of as a road to riches.

. Not All Tenantry Undesirable

There is one element in our educational program which I feel should be mentioned here. That has to do with the attitude toward landlord ownership. There has been an unfortunate tendency to describe the landlord as the avaricious villain in the play. No one will dispute the fact that owner-operation of farms is highly desirable from the standpoint of building economic and social stability, but, no matter what happens, for many years we will have a large element of tenancy in the agricultural picture, and it is destructive to the morale of the tenants to encourage them in the false notion that they represent an oppressed group which is being grossly discriminated against by all land owners. Tenancy is by no means always undesirable. With respect to tenancy, our educational goal should be to establish relationships between landlord and tenant which are fair to both, and which accordingly produce the maximum of returns, not only for the individuals involved
but for society as a whole. It is harmful and in no sense constructive to condemn tenancy as such.

Having drawn a general background to our picture, let me turn to the specific phase of the tenure problem described in the title of this paper. Let me remind you that the subject covers only what I term the institutional farm owner—the trustee owner as distinguished from the corporation permanently engaged in the business of large scale farming.

Institutional Ownership Temporary

You are all familiar with the unwilling circumstances under which the institutional farmer was born. It is a well known fact that mortgage investors did not want these farms. They postponed acquisition as long as possible. Take the life insurance companies for example. Those companies were chartered to sell life insurance, not to produce food, or speculate in land. You can imagine the bewildered state of mind of such an investor who suddenly found himself in possession of farms to manage and operate. Here was a new task for which he had no training. He was aware that his ownership of farms must be temporary. Nevertheless, he realized that nadir depression years were no time to depress the farming business further by forcing farms onto an already stagnant real estate market. He must bide his time before commencing sales activities. This meant he would have to undertake the management and operation of farms for an indeterminate period. He had no desire to embark on large scale farming. On the contrary, his duty as he saw it was restricted to preserving the family farm units over which he had been elected to exercise a temporary custodianship, until such time as they could be resold in an orderly fashion to individual farm owners. In the process he faced the grave responsibility of recapturing the policyholders' dollars invested in those properties. He carried a dual responsibility; one to the policyholders, another to the farmers.

Our Company Experience

The most logical method for me to pursue in discussing farm tenure from the standpoint of the institutional owner is to describe some of the experiences and some of the procedure involved in handling the farm tenure problems of the enterprise with which I am associated. In following that course, I can confine myself to actualities and avoid entering the realm of assumption. We, like
other institutional owners, have approached the problem with a keen desire to purge ourselves of intellectual poverty. We confess to an element of good sportsmanship, but we do not tell our story with the intent of suggesting superior virtue. To us the land tenure problem is intensely practical and, in this, as in other human relationships, we believe firmly that good ethics and intelligent cooperative effort are synonymous with good business.

The first problem facing us in connection with the management of the Company farms was, of course, the selection of management personnel. We realized at the outset, that the most perfect farm management plan would not operate successfully without strong man-power. We have included in the personnel qualifications temperamental fitness as well as fitness based on education and experience. We have made it a point to build up an organization of workers who possess the ability and the desire to create and maintain a spirit of cooperation between our tenants and our office management staff.

**Educational Program**

The second important step in building a good owner-tenant relationship is the development of a comprehensive educational program. This obviously has to do with the psychological as well as the practical phases of owner-tenant relationship. All members of our staff who are in any way related to farm tenure are brought into frequent conferences of an educational character, in order that they, in turn, may carry to the tenant, or to the borrower under a farm mortgage, as the case may be, both the spirit and the letter of the procedure recommended by the Company. Our program covers a wide range of endeavor and an endless chain of study, conference and discussion; demonstration, experiment and exchange of ideas. We find that precept and example are both powerful educational forces.

To illustrate how the cumulative effect of example can develop from a modest beginning, let me tell you about a certain community where we own a number of farms. To a large degree the land in that locality has been too intensively farmed and soil improvement was greatly needed. Before legumes would grow it was necessary to use a fairly heavy application of lime, as the soils were sharp in acidity. Not only our tenants, but most of the residents in that section were lukewarm toward soil improvement practices. To
initiate our activities we limed small tracts on one or two farms and sowed alfalfa. In a year or so, other tenants suggested they too could use alfalfa patches. Then a general interest spread to other legumes, such as sweet clover, etc. Within 4 or 5 years soil building programs were in full swing. There you see, gentlemen, the inner workings of one of our educational efforts. It did not stop at our farms. Neighboring owners began following a similar program, and now the whole countryside in that locality shows great change for the better. We do not claim any particular credit for the transformation that is slowly taking place, but we do maintain that an educational effort skillfully administered is decidedly worthwhile.

The Written Lease

Another feature involved in the owner-tenant relationship is the lease. A written lease is being advocated. We subscribe to that recommendation, we practice it. We have written leases in force with all of our tenants. A written agreement serves as a specific memorandum, it is easier to enforce legally than a verbal agreement in the rare instances where court action may be resorted to. But, as far as we are concerned, I cannot recall a single instance where it was necessary for our Company to take a farm lease to court for interpretation.

The term of the lease is also under current discussion. One school of thought feels that short term leases, 1 year in extent, are the seat of much of our existing trouble. Granting that permanence of abode contributes to social well-being, we must, nevertheless, recognize that there are varying conditions to be met. Take for example the institutional landlord whose ownership must be temporary. Obviously, in his capacity as trustee, it is not within his province to execute long term leases such as are feasible under permanent ownership. Surprising as it may seem, however, the fact that temporary ownership limits our lease to 1 year periods has not proved to be a handicap in setting up a sound farm management program. It is interesting to note too, that tenants seem anxious to rent our farms. Frequently we receive a larger number of applications than the permanent owner across the way who is in a position to grant a long term lease. In connection with this matter it should be borne in mind that while the institutional owner looms up prominently in the picture today, his tenure is transitory.
and, therefore, under no circumstances gives cause for concern. In a few years institutional farm tenure will fade out of the picture.

Planning Improvements

Another problem subject to current discussion is the relationship which exists between the owner and the tenant pertaining to improvements. Because of the run-down condition of many of the farms acquired unwillingly by institutional owners this problem of improvements has been an important one. It has been our policy to rehabilitate acquired farms adequately to put them in satisfactory condition for successful operation. We work on the theory that it is the landlord's duty to supply the land and to equip the farm plant from the standpoint of permanent elements. We feel that the tenant should not be shouldered with such a responsibility, although, of course, arrangements may be made for tenant cooperation in cases where the tenant is willing to make certain contributions of labor.

In planning improvements on a specific property we consult the tenant, especially if he has lived on the premises for several years and is intimately acquainted with the needs and the productive possibilities of the farm. On the other hand, we must guard against unwise spending resulting from impractical suggestions. We must also guard against permitting the tenant to spend money for improvements without first consulting us. We feel that it is the owner's function to consider the practicability of each improvement. We believe that under the right kind of practice the landlord should not be called upon to make substantial cash outlays for that purpose. Under this procedure there should be no occasion for dispute over improvements.

Restoration to Individual Ownership

We have said repeatedly that the institutional farm owners are transients in that field. Accordingly, it is interesting to see what is happening in the transitional process already underway for restoring such farms to individual owners. The Farm Credit Administration, probably the largest institutional owner in the United States today, has during the past 3 years sold back to individual owners over 30,000 properties, and one-half of this number represented sales during 1936. At the end of 1936 the holdings numbered 29,000. The Federal Land Bank in this district reported that over 75 percent of the farms sold last year went back to home
seekers. Those are favorably illuminating figures. As a further example, take the record of the company I represent. Of the total number of farms we have acquired, well over 40 percent have been restored to individual owners. Less than 20 percent of those purchases were by the investor group. In other words, over 80 percent of the farms we have sold are in the hands of owner operators. In the Corn Belt area over half the purchases were by tenant farmers.

We sell our farms on lenient terms. On the other hand we make an exhaustive analysis of the purchaser's farming ability and his capacity to make financial progress. We regard this procedure as wise before permitting a purchaser to assume the sizeable obligation which he undertakes in buying a farm. We feel that we do a prospective purchaser a kindness when we refuse to sell a farm on a hand-to-mouth basis. In the end both buyer and seller suffer losses and both lose ground when a farm purchase contract terminates unsuccessfully. The purchaser wastes 2 or 3 years on an unsuccessful venture, and the owner prolongs the period leading up to ultimate restoration of the farm to solid ownership. Of the several hundred farms we have sold during the past 3 years, thus far only six have failed to work out. That record demonstrates that it pays to sit down with a buyer and go over the situation thoroughly before entering into a transaction. It proves too, that there is still a large number of non-farm owners who have the desire and the ability to tread the path which leads to ownership and a desirable form of land tenure.

Our manager of real estate sales feels that he will be a qualified financial engineer when his work in his present capacity is completed. He states that it is both interesting and instructive to sit down with a prospective purchaser and help him analyze his resources and estimate future performance. He advises prospects who have chattel mortgage debt, or unsecured bank debt, to liquidate those obligations before attempting to buy a farm. He urges them to pay as much of their surplus earnings as they can on the purchase price each year, but he cautions them to guard against overestimating their ability to meet future payments. Occasionally a contract purchaser is faced with difficulties in meeting his payments. Drouth makes short crops, livestock may be slow in finishing for market, or some unanticipated expenditure may come up. When the reason is valid and future prospects are encouraging, we take a reasonable attitude.
We take a definite interest in encouraging our tenants to become farm owners. Having worked with the tenant, we know both his strong and weak points. If in our opinion the tenant has the capacity to purchase the farm he is operating, we give him an opportunity to acquire the farm. In case he does not wish to purchase the farm, or in case our experience with him has convinced us that he is not yet qualified to become a successful owner, then we have no other alternative but to dispose of that farm to someone else when the opportunity is offered. Let me remind you again that our case, perforce, involves temporary farm ownership and that the management of the Company has a dual responsibility, one to the operator of the farm, and the other to the policyholders of the Company who are the owners of that farm. The management of a life insurance company holds the position of trusteeship. In our case, that trusteeship involves the interests of about 250,000 policyholders throughout the country. That trusteeship places upon us the obligation to conduct the affairs of the Company with due regard for equity and justice in all of the Company’s relationships.

Cautious Use of Credit

Before closing this phase of our discussion, I wish to express a word of caution about the use of credit. One of the main reasons for our recent economic upheaval was the misuse of credit. There is no field in which caution and intelligence are of greater importance. From a purely theoretical point of view, it appears to be highly desirable that all tenants should become owners; but, as I have said, our experience has convinced us that from a practical point of view that is not the case. We are convinced that it does not constitute a service, but that it is a distinct disservice to any man to encourage him in accepting a responsibility which he cannot meet successfully. In harmony with that fact, care and caution must be exercised in following any program, individual or corporate or governmental, which has to do in any way with indebtedness or financial obligations involved in the transfer of landlord farms to owner occupancy.

The recital of our experiences and practices has been given to illustrate not only the procedure, but also the actuating philosophy of one corporate owner in dealing with the farm tenure problem. We feel that the educational processes we have employed are bear-
ing good fruit, and I have no doubt that in many instances the activities of other corporate farm owners have produced similar beneficial results. As time goes on, the farseeing corporate owner will gradually improve his technique; thus temporary corporate ownership of farm lands will make a constructive contribution to the gravely needed educational program.

The other instrumentalities through which constructive education may be fostered are too well known to need more than a word of comment. Our land grant colleges can and do perform an essential service in this field. The radio and various types of publications, including particularly the farm journals, can be made potent influences for good. Farmers’ organizations also occupy an important place in the picture. In this connection we should not overlook the 4-H Clubs, as they reach the most important part of the farm population—the farmers of the coming generation. We have ample sources at hand for the promulgation of information needed to replace intellectual poverty with intellectual riches.

**Facts Not Fancies Essential**

There is one element of paramount importance which must be kept in mind. The educational task will not be proficiently performed unless those who act as instructors are themselves possessed of intellectual riches. The temptation to be spectacular, the desire to find an easy panacea for quick reform, the normal tendency to take snap judgment on the basis of imperfect and sometimes misleading information, must all be pushed into the background, and instead we must have an earnest desire to seek the truth, whatever it may be, and make our proposals on the basis of mature judgment built on known fact.

During the process of education we may well apply such governmental activities as will promote constructive farm tenure. However, in this case also it is imperative that such remedial measures shall be based upon sound reasoning in harmony with known fact, and, above everything else, we must be careful to harmonize our practices with the fundamental principles of our democratic system. In some sections of our country it may be unavoidable to resort to a measure of control, but in the main we will be breeding trouble for ourselves if we permit regimentation to replace willing cooperative effort in any part of our democratic system.

Cooperative democracy is not impaired through an optional plan
of governmental grants which serve to correct existing maladjustments. On the other hand, bonuses or concessions which, either directly or indirectly, grant discriminatory benefits to one group, to the injury of others, are out of harmony with our democratic system.

**Treat Creditor Fairly**

In this matter, one element I have in mind is the increasing tendency to regard the investor in farm land, either owner or lender, in a disparaging light. That attitude results in legislative proposals both State and National which discriminate against the investor for the alleged benefit of the farm operator. Another manifestation of this tendency applies to all investors of savings. I refer to the constant pressure for preferential treatment of the borrower through the medium of cheap Federal credit. No intelligent person can logically object to cheap credit if that cheapness is the result of normal processes, free from either direct or indirect subsidization. The point I wish to make is that no class of business or industry should be placed in a preferential position through governmental subsidies or governmental procedure. Governmental grants and governmental privileges should be based solely on the ground of rendering service for the benefit of all the people. Grants should not be made, benefits should not be bestowed, unless they will result in promoting national welfare, and national welfare includes safeguarding the interests of the investor as well as safeguarding the interests of the debtor.

**Golden Rule**

This entire problem of land tenure, with all of its ramifications, resolves itself into one single element and that element is the character of our entire economic structure. Our Nation is like the human body which has its separate parts, all functioning as a whole; an injury to one part impairs the whole. The economic processes of the country are like the human blood stream which carries life to every part of the body, but which also transmits the impairing power of disease. Therefore, we return again to the original thesis of this paper, that modern life is, in fact, a cooperative enterprise; that the welfare of one is dependent upon the welfare of all; that material riches are dependent upon creating intellectual riches; that the Golden Rule is no longer merely a moral postulate, but is now an economic necessity.
It is a distinct privilege for me to have the opportunity to come to Iowa again. A little more than 20 years ago I came to Iowa for the first time to serve in the capacity of a herdsman on a hog farm.

My experience and observations at that time were, in my opinion, the beginning of my thinking about agriculture from a national point of view. Although I was born and reared on a Georgia farm and labored as one of the hands on the farm when I was not in school, I had little conception then, and not much more when I finished college, of the magnitude of America’s agriculture. Furthermore, I did not have much conception of the significance of the well-being of that large portion of our population which engaged itself in tilling the soil, nor did I have much understanding as to the relationship of agriculture to industry.

Although my conception of the national agricultural problem and its relationship to the general welfare is still quite limited, I hope to be able, as I make contacts over the country such as the one I am privileged to make here now, to develop my own thinking in a constructive way and to assist in every way within my power to draw together the thinking and the welfare of our farm people in such way that those of each section of the country will have an appreciative understanding not only of their own problems, but also the problems of other sections.

This leads me to say something about relationships between farmers and businessmen. Whether we all realize it or not, there is a very definite interdependence of agriculture and industry. Likewise, there must be a wholesome relationship between those pursuing agricultural endeavor and those seeking their livelihood in industry and the professions. Industry is more dependent than I feel it sometimes realizes upon the buying power of agriculture. Certainly agriculture is entirely dependent for a market for that portion of its products above farm needs upon the consumers of these products wherever they may be, and the great majority of them are in industry. If this marketable part of agriculture’s production is to find a market at an equitable price level, consumers, many of whom are laborers, must earn a wage that will make it
possible for them to make adequate purchases of these goods for their needs.

**Equitable Relationships Desirable**

In this day of adjustment we are learning to think in terms of parity prices and what that thought conveys to us is an equitable relationship between the wage earner's pay, the price of commodities he purchases, the price of commodities farmers sell, as well as the price of those they buy, and the income of the captains of industry and the men of the professions.

May we think together now for a little while about stability for agriculture? Stability for agriculture involves, as I think of it, six points to which we might well here afford to give some attention: (1) stability of the soil; (2) stability of land tenure; (3) stability or unity of thought; (4) stability or unity of action; (5) stability of credit; and (6) stability of price.

Your immediate section of the country is not so concerned about the stability of your soil as we are in the South. However, you, and all the rest of the people in this country, are concerned either directly or indirectly with the stability of the soil in whatever parts of the country it may be unstable. In this connection I should like to bring to you not a message of alarm or pessimism, but a statement of some facts relative to losses of soil in the South.

You may be astounded to know that through the process of water erosion under cultural conditions that are favorable to erosion as much as 3 6 1/2 tons of the best part of the soil is being lost per acre per year in Georgia. To draw a contrast let me hasten to say that the loss per acre per year from wooded land under the same conditions of slope, rainfall, climate, and so forth, has been found to be 115 pounds. Soil losses vary between these two extremes dependent upon cultural and farm management practices. It would be unfortunate if there were nothing we could do about the situation. Agricultural research has pointed the way in which we may travel if we are to overcome these difficulties. It is unfortunate that this great country of ours, relatively new though it is, did not have a sound land policy 100 years or more ago.

**Farmers Guilty of Exploitation**

Whether we as an agricultural people are willing to admit it or not, we are guilty of exploitation of the worst sort. It is true that pioneering may necessarily be accompanied by more or less ex-
exploitation of natural resources. Here is what I mean. In my section of the country and in my lifetime we had what we call log rollings. When a farmer cleared a new piece of land he had a lot of logs and timber that he didn't know what to do with. The neighbors went in and helped him roll it up in great heaps and burn it. Farm owners are accustomed to thinking of the land they possess as being theirs in fee simple. So far as property rights, as defended by the laws of our country are concerned, this is true. We should not, however, conceive this ownership in such way as to feel that it gives us the right to handle our soils so unwisely that we not only reduce ourselves or our posterity to poverty, but are at the same time doing our bit toward the destruction of a great national resource.

In other words, although I have property and like to think of it as mine to do with as I please, I feel that if I should let my soils be destroyed and through that process contribute to the destruction of other farmers' soils who may or may not be trying to protect them, the government should step in, first, to teach me the folly of my practices and then enable me to follow the teaching. What I have in mind there is that the farmers are not in all instances, in fact, very few, to blame for the situation. It is a social responsibility as someone referred to it today in the discussion, and it is a problem that extends beyond the boundaries of counties and states and even regions, and, therefore, is a national problem. I have in mind, when I say government, the inclusion of land grant institutions with their experiment stations and their extension services in assisting in the educational work which they are doing now in a very effective sort of way. That assistance should be expanded.

Very closely related to the stability of the soil is the stability of land tenure. One of the most pressing problems today is that of farm tenancy. As we think about the stability of the soil, or rather about its instability, the accentuation of soil losses caused by tenants who are constantly moving from place to place is tremendous.

**Tenancy Not Conducive to Conservation**

Farm tenancy as it is known and practiced in the South certainly does not lend itself to soil conservation. It is natural for tenants who do not expect to remain on a given farm more than 1 or 2 years, regardless of whether they move of their own will or that of the landlord, to make all they can from the soil while they are there. All practices leading to that end are definitely contrary to
practices that build soils. Landlords, themselves, are not blameless in regard to this matter of soil losses.

In any part of the country where soils are subject to erosion there appears to be a direct relationship between farm tenancy and soil losses. In several of the New England States, less than 10 percent of the farms are operated by tenants. Although the type of farming in that section is conducive to soil conservation, certainly so far as erosion is concerned, if there were more tenants, particularly of the roving type, the farm practices probably would change and the result would be increasing soil losses. In seven of the southern states 60 percent or more of the farms are operated by tenants. In one it is 70 percent. In those states our soil losses through erosion and otherwise are probably greater than in any other section of the country. These statements of fact seem to bear out the feeling that there is a definite relationship between farm tenancy and soil losses.

To look at the national picture for a moment and to show the trend of the farm tenancy, let me say that in 1880 only 25 percent of our farms were operated by tenants. Today that percentage has increased to 42 and it is calculated that the number of tenants is increasing at the rate of 40,000 annually. Let us stop long enough to think where this tendency is leading us. It may be leading us in the direction of the ownership of farm lands being put into the hands of insurance companies, banks and other private investment companies, as well as the lending agencies of the Farm Credit Administration. This is not the worst feature, however. If the wasteful practices of tenancy are allowed to continue, the destruction of our basic natural resource, the soil, will become a reality, undermining the whole structure of our national economic life. The question is, will America stand for a situation of this sort? Progressive thinkers are answering, “No.” The President and the National Congress are giving serious thought to farm tenure reform and very definite action is expected from the Congress now in session.

**Must Plan for the Future**

As we think of land tenure in its relationship to the general welfare we are immediately confronted with the problem of providing food and fibre for the needs of our own country as the population increases. It is estimated that by 1960 our population will be 150,000,000. Some statements from the report of the Land Plan-
ning Committee to the National Resources Board will be interesting and helpful just here. This report indicates that the probable increase in population on the one hand and the shifting of cultivation of poor land on the other will mean that by 1960 we will need 55 million acres of new crop land in order to meet the needs of the greater population. The question arises immediately as to where this land may come from. The report goes on to say that the increase will come from the following sources: by that time it is estimated that 3 million acres more can be brought into production by irrigation; 10 million acres more can be drained (this is now in timber); and 10 million acres from forest or cut-over land. The other 32 million acres can apparently come only from plowable pasture land.

These figures are predicated upon the assumption that per acre yields will remain the same. It is to be hoped that per acre yields will be increased and that is just the point I wish to make here. Unless many of the farmers of this country do a better job of farming we cannot look into the future with a great deal of optimism. There is no question in my mind but that we will do a better job of farming.

In reference to boom prices I should like to make this observation. I hope that we shall not have again such a boom as we had in 1918 and 1919. In the discussion this afternoon several Iowa farmers, some of them tenants who had been land owners and had to give up their farms, said that when they bought those farms they were making $60 worth of corn per acre. One of the farms I own in Georgia in the year 1919 made on the best part of that land enough cotton that it brought $300 per acre. Now that was a terrible thing for us; we thought it was great then, but it was terrible. I hope that we shall so balance things that this sort of thing may not recur.

Stability or unity of thought and action are points in the discussion upon which I shall not dwell. What I have in mind is what I have already expressed in another way in my discussion of the interdependence of farmers from different sections of the country and the interdependence of agriculture and industry. The economic and social problems of today cannot be solved overnight, nor by this generation. It is to be hoped, however, that we can develop sound thinking in terms of the general welfare in such a way that the
road to final solution of the problems of today will be definitely pointed out.

**Stable Credit Structure Essential**

Misused credit has proved to be disastrous not only to farmers but to people in all other walks of life. Wisely used credit, on the contrary, is frequently the means of establishing security. The credit structure, therefore, for agriculture should be of such stability that farmers will not be faced with disaster because of the lack of adequate credit. Private lending agencies and the Farm Credit Administration are now making agricultural loans in such way that most of our farmers can secure the needed credit. The disadvantaged group is being assisted in this respect by the Resettlement Administration.

There is probably no point in all this discussion that is of more significance to the welfare of our farmers than the stability of prices. It seems that the farmers should not have added to the hazards of weather the additional one of uncertain or inequitable prices.

Farm management practices such as will conserve and build soils will go a long way toward preventing overproduction and, therefore, making more stable the prices of farm products. Although the Ever Normal Granary idea is not new to other parts of the world, Secretary Wallace is the first to bring it definitely into the picture of American agriculture.

This idea is one that should engage our best thought in order that it may be used in the direction of causing a leveling out of peak and depression prices.

Now, I have said something about land tenure and its relation to agricultural welfare, and I have thought particularly in terms of agricultural stability, so I should like to conclude with this statement. The sort of stability about which I am thinking is not the kind that would make the cotton farmer rich and the farmer who produces meat and grain poor; nor the kind that would make the northeastern or north central dairyman fat and the California fruit grower lean; nor do I have in mind such conception of stability as would cause agriculture to prosper and industry to dry up. The sort of stability I have in mind is that which will insure, to a reasonable degree at least, the security of all of our people regardless of their status in the social structure.
Iowa Farm Tenancy

By NELSON G. KRASCHEL

At the outset I want to say that there is no harm in farm tenancy. We have always had farm tenants; we will always have them. It is perhaps the only way for the young man to get a start, who, with his bride, sets out to engage in farming and eventually own a home without initial capital. The system of farm tenancy may, however, need considerable overhauling, and I assume that it is this to which you have given your attention in this 2-day session.

When I came to Iowa in 1910 I was told that about 35 percent of the farms were rented. Those renters were making their start. Ofttimes they were living on the farm that had been occupied by the parents of either the bride or groom. They were following in the footsteps of their parents, and in a few short years they were able to make the first payment on the farm and eventually own it. Tenancy at that time was not considered a bad thing; it was considered the initial step to farm ownership. I understand there has been some thought injected into this discussion that perhaps it would be wise for the government, on some gigantic scale, to purchase land and resell it to tenants on long-time terms. I understand that some eminent thinkers have contributed to that thought. I can't agree with it. If a man can't rent a farm and pay the rent and make a little money for his initial payment, he never will pay for the farm on a 30- or 40-year basis. It can't be done.

One fact that might bear inspection is the large amount of our land which is now owned by those who formerly held mortgages on it. They are unwilling owners; they want to sell it. The term of their leases is very short. They give as their excuse that they want to sell land shortly. Therefore, they do not want to get tied up on a long-time lease. They admit their pride in ownership, and I am told that in most cases where the lending has been wisely supervised, in spite of the difficulties through which we have passed, many of these institutions hope to get back all of their original investment, and that eventually their investment in farm lands in Iowa will prove as valuable as that in bonds or other investments during these days of trouble. If there be anything to the thought that I have just suggested, I am wondering if the unwilling owner of farm lands today would not have his premises better cared for

10Governor, State of Iowa, Des Moines, Iowa.
if he would make a 3-to 5-year lease with the tenant, and as part of that lease agreement give the tenant an option to buy that farm at the end of the lease period. The present owner would never care to sell a farm to a man who is not able to make in a 4- or 5-year period, above a reasonable rental, enough money to make a small down payment upon the farm.

Ownership Not Always Desirable

Twenty years ago, the next speaker and I were both flunkies out here in the livestock business, and we will never see happier days again than we saw then. We came into contact with the livestock breeders of this and other nations. In some of the European countries, like Scotland, where the finest beef cattle in the world are grown, the best farmers are not necessarily land owners; in fact, most of the best farmers are renters. The greatest cattle breeder of all time, Cruikshank, made a fortune breeding cattle but never owned his farm. He was a tenant; he remained a tenant to the very end. Some of the most prosperous farmers of my acquaintance have been tenant farmers, but they had a pleasant relationship with the land owner. They took proper care of their premises, and the owner was satisfied to leave the premises in their charge and charge a modest rental because the capital was being properly preserved.

Iowa's Approach

The approach that Iowa has made to this question is a varied one. First of all, we have given a great deal of encouragement the last few months to the program for rural electrification. Rural electrification under the present plans of the Federal Government makes cheap electricity available for any farm community. Cheap electricity is now a reality and will be, within a few years, carried to every farm in Iowa that seeks such service.

This week the Iowa Senate passed a new road bill for the state of Iowa, known as our Farm-to-Market Road Plan, a plan that, if enacted into law, will undoubtedly, within the next 5 or 6 years, bring satisfactory all-weather farm-to-market roads into every farm community of the state. I can't be so optimistic as to say we will carry it to every farm gate in the state, but it is not unreasonable to expect that we will have in that fund from 5 to 8 million dollars annually after the next 2 years.
Better Roads to Every Farm

That is important, because it means that every good farm in Iowa that is reasonably well located at all will have all-year transportation service, electricity, free rural mail delivery.

Yesterday, the Iowa Senate passed a bill known as the Homestead Tax Relief Bill. From the sales tax, personal net income, and corporate net income taxes we hope to raise about $18,000,000 annually. After taking from this fund enough for relief needs and the payment of all approved applications under the Old Age Pension Act, there will still be $10,000,000 to be allocated back to property tax-payers, we having long since realized that the property taxpayer, the real estate property taxpayer, has been paying more than his share of taxes. Up until this time the money has been allocated back to all real estate, regardless of who the owner might be, whether he lived in or out of the state, whether it was a corporate or privately owned property.

While that was a considerable sum and meant much to those who are the heavy property taxpayers, there are a great many people in Iowa who felt that the money should go back exclusively to homestead owners. Such a bill passed the Iowa Senate yesterday without a dissenting vote. It will undoubtedly pass the House of Representatives soon and become a law of the state.

In a mild way that means a graduated land tax. It means that many owners of 40-acre farms will have little, if any, tax to pay; an 80-acre farm in many districts will pay only half.

Means for Starting the Young Farmer

There is one other advantage in that plan that might not have occurred to some; it is that when a young man starts farming he necessarily must go in debt unless he has inherited some money. He hasn’t had time to make it any other way, and the original debt that a farmer contracts, if it isn’t paid quickly, ruins him. Nothing kills initiative, nothing destroys business judgment, so much as when a man has most of his credit absorbed in a long-time permanent financing program. If he borrows $2,000 to buy equipment with which to start farming, and doesn’t get that paid back in 4 or 5 years at most, that man is licked for life; he never gets up. The difference between the man who has his original working capital retired and the fellow who still owes for it is that the one man is
in position to take advantage of an opportunity when it arises. He
doesn't owe anything; he can go down to the bank and borrow $500;
he can do it today; he can buy feeder cattle or pigs, or milk cows,
grain, whatever he wants, and he will make money. The other poor
fellow hasn't any credit and that little difference in the beginning
marks the difference between success and failure.

I know that at the average farm sale the total assets are oftentimes
not more than half what it would cost a man to go out and buy that
equipment at market prices. How fine it would be, if, when the
farmer retires, he could say to a neighbor boy who wants to be his
tenant, though he hasn't a dollar of credit in the world, "Instead of
my holding a farm sale and selling off all of these milk cows, brood
sows, machinery, and equipment and using the money to go to town
and buy a home, I will let you have it on a share basis, and I will
live down here in this little cottage that I have prepared for days
of retirement." Then that young man starts off, not in debt, but
even with the world and together they go down the road, not only
keeping the tenant solvent from the beginning, but preserving that
farm; and if farm tenancy weren't wrecking the tenant farmer
and farm today, we wouldn't have this conference. That is what
we are having this conference for—the tenant can't get on his feet.
He doesn't see a future. If he ruined only himself we could say
that is his bad luck.

**Lack of Personal Interest**

The difficulty is, however, that we are ruining the state, because
no one has a personal interest in that farm like the fellow who once
earned it by work, the man who used to own it. The investor in
land, on behalf of the professional man or the man in business or
the unwilling owner of real estate, is not a proper custodian for our
soil. It is perfectly all right for him to have investment in land.
I don't object to that at all; I think it is a fine thing. I would far
rather see private capital invested in owning our farms than ever to
see a movement whereby the federal government attempted to buy
it all up and sell it back to the tenants on a 30-year basis.

So it seems to me that as we look over the effects of farm ten-
cy in Iowa, the state of Iowa itself is making at least a practical
approach to the problem. It is doing this, first, by carrying to
every good farmstead within a short length of time good roads and
the other conveniences of modern life. And second, we are giving homestead tax preference to the actual occupants of farms. I hope it is permanent; I believe it will be. Last week I had occasion to check up in some of the counties on the amount of land which was passing back to the counties under the county bidder law, and I was surprised to find that in one county 170 farms, involving 9,070 acres, had either not been redeemed or the title had passed. In five counties a total of 30,000 acres was involved, where the land was going for taxes alone, passing into public ownership for treatment as a public problem.

I am not looking upon this question from the dark side at all. I am optimistic about it. The minute any problem in this country commands attention by the people generally, it is going to be solved.

Today the temper of the farmer who is in trouble is pretty good. He is a fighting warrior; he has stood the misfortune of the past 3 or 4 years in marvelous fashion, and if his problem in the next 5 years is given the sympathetic treatment that everybody in all walks of life wants to give it, he will have the will to carry on.