RELATION OF INDUSTRY TO AGRICULTURE WITH SPECIAL REFERENCE TO DEFENSE AND THE LOWER THIRD

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At the outbreak of the European War in September 1939 some held the view that American farmers would profit from rising prices, from increased consumption and exports, and from the shift of surplus farm people to other industries. This view was based largely on the recollection of rising prices during the 1914-19 period that gave farmers temporarily a relatively larger share of a rising national income. But on maturer analysis it was not at all clear that the 1914-19 pattern would be reproduced. In fact, foreign markets for farm products were headed for further restriction as the war spread out over Europe and Africa and as foreign countries found it difficult to obtain dollar exchange. With the loss of export markets for cotton, wheat, tobacco, pork, fruits, and other crops, the problem of surplus man power involved in our production for export, particularly in the South and Middle West, loomed larger than ever.

The obvious offset to curtailed foreign markets for farm products, some thought, would be increased domestic consumption and the migration of surplus farm labor into the war-stimulated industries. But further analysis of these possibilities suggested that domestic consumption of farm products, taking the nation as a whole, is not elastic enough to offset the loss of exports and that urban industries operating at the war-quenched rate would not even absorb all of the urban unemployed, to say nothing of making a substantial dent in surplus agricultural labor. This situation a year ago, before we really started on our defense program, logically pointed to the need for a rural works program to conserve our natural resources and at the same time to provide jobs for the excess rural man power and additional income to low-income farm families.

To some extent this situation has been altered by the inauguration of a large defense program, but this change affects and stimulates the industrial part of our economy much more than the agricultural. The defense program has already stimulated industry to the highest level on record and improved the demand for some agricultural products by increasing consumer income. It is moving some agricultural as well as urban labor into military activity and into work financed by defense expenditures. What the total effect will be we cannot yet foresee. But can it mean real improvement in the rural standard of living for a substantial number of farm people or a better distribution of income among farm families? Does it really promise to absorb surplus agricultural capacity and surplus agricultural labor, or shall we still have these twin problems to deal with?

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