



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

PROCEEDINGS
OF THE
SIXTH INTERNATIONAL CONFERENCE
OF
AGRICULTURAL ECONOMISTS

HELD AT
DARTINGTON HALL
ENGLAND
28 AUGUST TO 6 SEPTEMBER 1947

GEOFFREY CUMBERLEGE
OXFORD UNIVERSITY PRESS
LONDON NEW YORK TORONTO
1948

THE USE OF MANAGEMENT INCOME DATA FOR COMPARISON WITH URBAN INCOME IN SWITZERLAND

ALBERT HÜNI

Farm Management Research, Swiss Farmers' Union, Zurich, Switzerland

AS you know, Switzerland produced pre-war only 52 per cent. of the calories consumed in Switzerland. It was chiefly cereals, sugar, and fats which had to be imported in large quantities, whereas a surplus of cattle for breeding and above all a surplus of milk and cheese were produced. This caused depression of the market for livestock products which at that time made up three-fourths of the total revenue of Swiss agriculture.

Thus the pre-war agricultural situation was on the whole unsatisfactory in Switzerland. This was felt most of all by those agriculturists who had bought their farms at the end of the First World War at exaggerated prices and by this and other factors had got heavily into debt.

One of the two principal reasons for the over-valuation of agricultural land was the fact that the demand for farms in Switzerland far exceeds the supply, not only in times of prosperity but also in times of depression. A few words may suffice to explain this fact, which may possibly surprise some people. In Switzerland the meadow land and the arable land that admits of intensive cultivation is very small in comparison with the population; it amounts only to 0.7 acre per inhabitant. About the same acreage consists of alpine pastures, which can be used only during three months of the year. A similar area is covered by forest, and the rest, that is to say a quarter of the surface of Switzerland, is unproductive. The scarcity of productive land makes it all the more felt because the Swiss peasant is on the whole very attached to agriculture.

The second reason for the over-valuation of land is the rapid rise in the price of agricultural produce and of the profit yielded by agriculture during the First World War. Men who were not agriculturists and who bought farms only for capital investment also contributed to the rise of the prices of farms. In this way a misconception arose concerning the value of agricultural land. Some people recognized the danger of the rapid increase of prices, but their warnings

had little or no effect, for the Swiss peasant does not buy or rent a farm in order to work it for some fifteen to twenty years and to retire afterwards into private life with the money he has earned. The Swiss peasant acquires a farm to make it his permanent place of occupation and to create for his family a basis of existence. That is the reason why in times of great demand for farms he is prepared to offer an excessive price if, owing to the great number of applicants, there is no other way of getting a farm. Over-payment was encouraged by the facilities for obtaining money on credit. Experience shows that the farms bought with a high proportion of foreign capital suffered most from the sharp fall in prices in post-war times.

Thus the financial position of Swiss agriculture at the beginning of the Second World War was, generally speaking, as mentioned above, rather unfavourable, and many agriculturists cherished the hope of realizing high prices on food-stuffs during the period of great scarcity in order to recover and put some money by. But the Swiss authorities were not disposed to repeat the unfavourable experiences of the First World War. In those years the prices of agricultural produce had reached a comparatively high level, but on the other hand, at the end of the war, dangerous social tensions among the population resulted from this state of things.

The endeavour of the authorities to do everything in their power to keep prices as low as possible and to safeguard in this way a good understanding between the different classes of the population was supported by the great majority of the people of Switzerland. The leaders of the Farmers' Union declared themselves ready to be very moderate in their price levels for the duration of the war. They were conscious that it was in the interest of agriculture itself to avoid rises in prices and the revival of a ruinous valuation of landed property.

The result produced by this moderation can be illustrated by the following figures:

The prices at the farm for wheat amounted in the fourth year of the First World War (1918) to 33 Swiss frs. per cwt.; in the fourth year of the Second World War (1943) only to 26 Swiss frs. per cwt.

From 1914 to 1918 the rise of the wheat price was 180 per cent. but from 1939 to 1943 it was only 44 per cent. The corresponding figures for fat cattle are: 1.16 Swiss frs. per lb. live weight in the year 1918 and 1.05 Swiss frs. in 1943. The rise amounted in the First World War to 128 per cent. and in the Second World War (up to 1943) to 73 per cent.

The prices of fat pigs were 2.60 Swiss frs. per lb. live weight (1918) and 1.45 Swiss frs. (1943). The rise amounted to 348 per cent. in the First World War and 102 per cent. in the Second World War (up to 1943).

The prices of milk were 1.41 Swiss frs. per gallon in 1918 and 1.40 Swiss frs. in 1943. The rise amounted to 80 per cent. from 1914 to 1918 but only 38 per cent. from 1939 to 1943.

By this sacrifice and the extraordinary effort to increase agricultural production Swiss farmers hoped to avoid at the end of the Second World War that depression of prices which had overtaken them in the years 1921 and 1922.

To convince all the agriculturists of the justness of the scheme to renounce a full exploitation of the economic situation and to induce them to make at the same time a gigantic effort, the Swiss Farmers' Union, in November 1942, approached the Swiss Federal Council with the request that an official statement be made regarding the improving and the safeguarding of the post-war living conditions of farmers and agricultural labour. The claim then made by the Swiss Farmers' Union ran as follows:

'The Swiss Federal Council acknowledges the request of agriculture that managers in reasonably well managed farms bought at normal prices may claim an average labour-income equal to that for skilled workers as proved by the statistics of the Swiss Insurance against Accidents; moreover that farm labourers and fully occupied members of peasant-families shall receive the same wages as unskilled workers in industrial establishments. In addition a medium interest on the capital invested in agriculture is considered to be justified; the rate of interest not being below that paid by the peasant for his mortgage.'

The Swiss Federal Authorities have acknowledged this right of parity as a basis for the safeguarding of the Swiss peasantry in post-war times. Also the most important political parties and economic associations of Switzerland have agreed to these demands.

If the state's agrarian policy in Switzerland is to be based in future on the parity of agricultural and industrial wages, it means that the state is willing to guarantee standard prices for agricultural produce which allow farm labour to have an income similar to that of the industrial worker.

This principle is of paramount importance from the economic point of view, and it is obvious that it has been studied by commercial circles as well as by export industries. A little controversy developed on this subject between Dr. E. Geyer, Secretary of the Executive of the Swiss Society for Commerce and Industry, and the author of this

paper. The discussion was published in the Swiss *Review of National Economy and Statistics* [in German] (82nd year, No. 6, 1946, Stampfli & Co., Berne).

It cannot be denied that the demand for parity and the comparison of incomes of different groups of people present some difficulties.

As a matter of principle we have to ask ourselves if the guarantee of a certain standard income is justified at all. After the excellent paper we heard from Mr. Sayre, and after the excellent speech of Mr. Ashby, I do not have to deal with the fundamental questions of this problem. Also the scope of my paper is too small for such a study. But I wish to point out that the income of the industrial worker is largely guaranteed in Switzerland and in many other countries. This has been achieved either by adequate working contracts, by state-subsidized unemployment insurance, or by other social measures for the benefit of urban workers and—last but not least—by the protection of the labour market at the frontier. Since the introduction of a public control of prices in my country commerce also has introduced certain recognized margins. Lastly, industry too is protected against too heavy losses in times of crisis by state relief funds, by customs policies, and by unemployment insurance for industrial workers.

So the assent of the authorities to the claim for parity made by agriculture may be considered as a step towards social equality. But after all it is also important from a political point of view that a state should maintain a healthy and efficient peasantry.

In the demand for parity, such as has been formulated, no definite fixed income has been stipulated, but only parity. Accordingly agriculture expresses its readiness to contribute its share in times of an economic crisis.

As the demand for parity promises to the farmer only equal wages with the industrial worker there is no danger that this promise means a sinecure for the farmer or that he may in the future become slack in his efforts, lacking in his initiative and his activity to the detriment of national economy. In his own interest the farmer will do everything in his power to obtain from his land by his own efficiency and strenuous work more than has been guaranteed.

The demand for parity mentions distinctly that only the results of reasonably well-managed and not deeply encumbered farms shall be used as a basis for comparison. As the reputation for reasonably good management is not so easily acquired, the provisions against the abuse of parity seem to be sufficient.

In comparing incomes there arise not only questions of principle

but a number of practical considerations. There is, for instance, the question if it is possible at all to compare the incomes of different classes of the population. My answer is neither affirmative nor negative, for there is in every trade or profession a lot of values which cannot be assessed in figures; but if a comparison of incomes is imperative in the present case, we have to find a way that is as just as can be.

One thing is certain, one cannot simply compare the nominal wages of peasants and city workers with each other. One has to consider the purchasing power of the money they earn. The difficulty lies in finding a suitable basis for comparing the purchasing power of rural and urban wages. For the wants of the peasant and the structure of his cost-of-living schedule differ much from the habits of life and the cost-of-living schedule of urban workers.

We have therefore to settle the question of what kinds of consumption we have to compare. If we take the consumption of the peasant family the result will necessarily be different from the expenditure of an urban worker's family.

The reason for this difference lies in the fact that in the country the food which the peasant is able to produce himself makes up a considerable part of his consumption and so gives him a certain advantage over the urban worker. In urban districts, again, there are commodities and expenses which give the worker advantages over the peasant.

If we consider merely the cost of food, this item in Swiss peasant families comes to roughly half the cost of living, while in urban households it only amounts to about a third. So the disadvantage that working people in towns have also to bear the costs of transport and retail is not of such account as one would be inclined to suppose. Nevertheless it may be of interest to know that from 1944 to 1946 in Switzerland the charges of the middleman on food were 35 per cent. of the retail prices. In the U.S.A. this proportion amounts to as much as 60 per cent.

From calculations made in Swiss areas we reckon that the peasant's cost of living would only cover 82 per cent. of the expenditure for the same living standard in the town. If we make the same comparison of the purchasing power from the point of view of urban consumption, parity of income would only be reached if the urban wages were 12 per cent. higher than the rural wages.

It is obvious that these calculations are problematical, because on the one hand the question of the consumption structure applicable for such a comparison is in itself a debatable one, and on the other hand

no exact distinction can be made in countries like Switzerland between town and rural districts.

In order to circumvent these difficulties and to obtain a working basis which can be employed under any sort of conditions, the income of the peasantry should be compared only with industrial wages in rural districts. Proceeding in this manner it will be possible—at least for Swiss conditions—to exclude from the calculation the difference resulting from rural self-supply, for the worker in country districts is also in a position—at least to some extent—to produce his own food, or he can procure other food straight from the peasant at wholesale prices, i.e. at the same rate at which the producer has to place them to account.

Special attention must be devoted to the data used for such a comparison of labour income. In Switzerland there are no uniform statistics as yet concerning the wages of industrial workers. For this reason we were compelled in the above-mentioned demands to refer to the statistics of the compulsory Swiss insurance against accidents. These data might be further improved and supplemented by general statistics of labour incomes.

The detailed results of the farm accounting work undertaken by the Swiss Farmers' Union are taken as the basis for the calculation of rural incomes in Switzerland. Thanks to the exactness of the data received, this information is considered to be very reliable in spite of the comparatively small sample of only 4 farms per 1,000.

Nevertheless various details have in every case to be cleared up, as, for example, whether the farms included in the average are well managed and not heavily encumbered with debts. It is generally recognized that the farms under control are above average quality and under good management. The question of how much they are in advance of the rest can only be answered approximately, but we gather from certain investigations that have been made that the results are in general about 15 per cent. above the average.

Of course, it is indispensable for correct valuation of the labour income per day or year to know exactly the amount of work done by the farmer-manager and the members of his family employed on the farm. A further question is how much interest may be deducted from the net farm income to get the labour income. These details, however, are of a technical nature; they can certainly be cleared up without great difficulties.

Allow me in conclusion to make the following statement: In the pre-war time the labour income of the agricultural population in Switzerland did not even reach half of the income of industrial

workmen (1931-8, 27 per cent.). If it should be possible in the future to achieve a just adaptation of the two labour incomes this would mean a step of great importance. The flight from the land, so detrimental from a political point of view to many countries, might be arrested and, on the other hand, the improved rural living standard would raise the demand for industrial products. The result would be more stable and healthier communities. There can therefore be no doubt that the problem of income parity is worth a closer investigation.

In answer to questions by Dr. Dawe, Professor Hüni said that in the First World War the prices of agricultural products rose higher than the costs. The purchasing power of the income of the industrial worker weakened sensibly. In the Second World War, on the other hand, the purchasing power of the industrial workers' income remained closely on the pre-war level. Since 1946 it has been even a little above pre-war.

As to the question of the attitude of the industrial worker towards the demands of the farmer and the farm worker, I am glad to say that in Switzerland the attitude is generally good. This is to a great extent due to the fact that in Switzerland the factories are not concentrated in cities. Many of them are spread over the whole country. The industrial workers, therefore, have close contact with the farmers and with the farm workers. In general they do not deny that the farm worker works as hard as the industrial worker. The farm worker has no regulated working time. There are some recommendations, but the hours are not limited as they are in many other countries. Of course, we have also all kinds of people as farm help, but the demand for income parity concerns only the man with full working capacity. The industrial workers agree generally with his demand for parity.

In reply to questions by Mr. Witney, Professor Hüni said: First, as regards the proportion of farm population to total population, the number of persons regularly employed in agriculture in Switzerland is 20 per cent. of the total working population. Second, as to how many farm accounts are examined for the comparison of incomes, the books of 550 farms can be used since the war, that is, since the war imposed additional work on the farm family, as compared with 600 before the war. The total number of farms in Switzerland which provide a fairly full existence for the farm family is 140,000-160,000; the total number, including the part-time holdings, is 240,000. Third, as to whether there exists in Switzerland

an association of industrialists corresponding to the National Farmers' Union, there is a Swiss Society for Commerce and Industry. It is generally very anxious to have low prices for food, and the debate mentioned earlier on the farmers' demand was started from this Society. But I am glad to be able to say that Dr. Geyer, the Secretary of the Society, agreed with the principle of the demand, and the debate concerned mostly technical questions.