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## BOOK NOTES.

**The Impact of Fluctuations in National Income on Agricultural Wages and Employment.** Howard L. Parsons, Cambridge (Massachusetts) Harvard University Press, June, 1952, pp. 58, 50 cents.

**The Organizability of Farm Labor in the United States.** Alexander Morin, Harvard University Press, June, 1952, pp. 102, 50 cents.

Harvard University intends to publish thirteen monographs and one book on the general topic of labour in agriculture. The two publications listed above are the first two studies in the series. This series of *Harvard Studies in Labor in Agriculture* are being prepared under the general direction of Professors John D. Black and John T. Dunlop.

The standard set by Howard Parsons' first study on "The Impact of Fluctuations of National Income on Agricultural Wages and Employment" is high. Many American agricultural economists have attempted to study the shape of the supply function for agricultural products, but no serious analysis has been published to date of the working of the market for hired farm labour in the United States. This market must, to some extent, affect the general supply reaction of agriculture to price changes. This study is therefore of considerable importance as a contribution to theory on agricultural economics.

Parsons discusses both demand and supply functions for hired labour at different levels of national income. He relates the theoretical results obtained to the actual course of farm wages and employment in the United States from 1910 to 1945. At the risk of some injustice to the complex argument, an attempt is made to give the broad outlines of Parsons' analysis.

Fluctuations in national income lead to fluctuations in the demand for farm products, but the magnitude of the fluctuations in the demand for farm products will not be as large as those of national income (the elasticity of demand for farm products being less than unity). In the absence of technological change, these changes in the demand for farm products will lead to corresponding fluctuations in the demand for agricultural hired labour (especially since the 20 per cent. of U.S. farms which employ most of the hired farm labour produce about two-thirds of the farm products marketed).

However, the existence of technologic changes affects the demand for farm workers. From this point of view—i.e., the demand for farm labour—the most important technological change is the mechanization of farm operations. To a considerable extent farmers are faced with the alternatives of using more labour or more machinery. Increases in mechanization will therefore lead to a reduction in the demand for hired farm labour. As the volume of farm machinery purchased depends considerably on the level of farm incomes, the effect of fluctuations of national income on the demand for agricultural labour, will be more complicated than the direct relationship mentioned above.

When net farm incomes are above average levels the increased demand for farm labour is reduced considerably by an increase in machinery purchases and a replacement of labour by machinery. In periods when farm incomes are below average, the direct effect of fluctuations in national income on the demand for farm products and thus for farm labour is likely to be more important as the comparatively low farm incomes impose a brake on farm machinery purchases.

The main factor influencing the supply of farm labour is migration to and from agriculture. Generally speaking, migration to farms is of little importance economically, as it largely consists of families moving from urban areas to small part-time farms or to rural residences. As far as farm/non-farm migration is concerned, the existence of employment opportunities in city areas seems to be the most important single determinant.

The effect of the complex interactions of supply and demand on agricultural employment and wages at differing levels of national income are summarized by Parsons as follows:—

- (1) When the national income is low—below the level associated with the trend described by the years preceding World War I, 1923 to 1929 and 1936 to 1939—and accompanied by unemployment, fluctuations in national income can be expected to affect wages and/or employment in agriculture almost exclusively through their direct effect on the demand for workers. Under these conditions any improvement in national income above these low levels can be expected to increase both the level of wages and the number of persons employed by farmers. And any further decrease in national income below these low levels can be expected to bring decreases in both the wages and the number of persons employed.
- (2) When national income approximates the 'normal' level and is accompanied by relatively low employment, fluctuations in national income can be expected to have no effect on wages and/or employment in agriculture. Under these conditions an increase in national income will be dissipated in its effect on capital expansion. And a decrease in national income can be expected only to decrease the expenditures on farm capital goods, leaving labor-competing capital use and total farm output virtually unaffected.
- (3) When national income is high and the normal labor force is fully employed, fluctuations in national income can be expected to affect wages and/or employment (1) at all times by inducing shifts in the supply of workers and (2) when national income is falling by decreasing the demand for workers. Under these conditions increased national income should lead to higher wages and lower employment—the supply of workers decreases due to the accelerated migration of workers out of agriculture; but the demand for workers remains relatively constant, due to the fact that the higher farm incomes lead to expansion of capital at the expense of the potential additional employment of workers. Decreased national income should lead to lower wages and an uncertain change in employment: the supply of workers increases due to (a) the deceleration of the flow of population from farms and (b) to a *bona fide* flow of population from city-to-farm; and the demand for workers decreases because the supply of equipment on farms does not change. Both these effects should lower wages; so that the result is fairly certain. But the increase in supply of farm labor should tend to increase employment, while the decreased demand should tend to decrease it; which of the two forces turns out to be the stronger will determine whether employment is increased or decreased.”

The second monograph consists of a detailed discussion of the difficulties which confront labour unions in organizing hired farm workers in the United States. Natural forces which gave rise to the organization of unions in industry, such as personal association and continuity of work, are largely absent in the case of hired farm work. Concentration of workers in teams is used to explain the relative success of unions of sheep shearers and hay balers in the United States. Another obstacle to organization is the lack of homogeneity of farm workers. "Hired farm laborers are not, on the whole, one single, distinct class, but are overlapping and intermingled with the low income groups of farm operators—especially in the case of share croppers in the South—and with non-agricultural wage workers, especially those in rural areas" (p. 34). In addition there are often racial and language differences which tend to reduce the possibility of effective common action. Most hired farm workers expect to move to other occupations in future years, and this lack of permanency reduces their class consciousness.

The seasonal nature of farm production gives labour some bargaining powers, but this is outweighed by the opposition of the employers and of public opinion generally to the use of the strike weapon in this way. Both Federal and State laws tend to weaken labour unions in agriculture.

Morin maintains that "the best chance for success and general acceptance of unions of many types of farm workers is for them to learn to function much in the manner of farm labor contractors. Thus functioning, they will have valuable services to offer to both workers and to employers." (p. 102). This is hard to reconcile with an earlier statement that "the labor contractor system operates as a bulwark against unionism" (p. 49). The ambiguous role of labour contractors is well brought out in the discussion of the contractor system. Such contractors earn their livelihood by providing workers who are amenable to the wishes of employers. It seems very unlikely that a union organizer would be patronized as a labour contractor by employers, or even if he were, that he could supply such "amenable workers."

The best chances for organization of workers in agriculture would appear to be in those areas where the industrialization of agriculture has proceeded farthest. These would include the vegetable and fruit farms in California, Florida and New Jersey, and possibly the cotton plantations in the Mississippi Delta. However, these are also the areas where employer resistance to unionization is greatest.

**The Economics of Poultry Management.** Harold E. Botsford, New York, John Wiley and Sons, Inc. London, Chapman & Hall Ltd., 1952, pp. vii, 337. \$5.75.

This book is of interest because in its particular field it is probably unique. However, its value to students of poultry farm management in Australia will be somewhat limited.

The author is Professor of Poultry Husbandry at Cornell University; he is not an economist, and the book suffers somewhat for this reason, particularly insofar as Australian readers are concerned.

Nevertheless, students of poultry farm management should find much to interest them. The factual material in the book, of which there is a considerable amount, is of purely American interest, but many of the problems discussed by Professor Botsfield are similar to those existing

in Australia, and his book may suggest to readers here ways and means of tackling some of the numerous problems of poultry farm management which are common to the two economies.

**Agricultural Market Prices.** Warren C. Waite and Harry C. Trelogan, New York, John Wiley & Sons, Inc. London, Chapman and Hall Ltd., second edition, 1951, pp. ix, 440. \$5.25.

The first edition of this book was entitled *Introduction to Agricultural Prices* and was published in 1948. The second edition covers the same subject-matter as the first and includes, in addition, an appendix describing some of the statistical devices used in price analysis.

In a preface the authors explain that the book has been prepared "with the thought that it will be used by students in courses of agricultural prices and marketing who have had the benefit of at least the basic courses in economic theory and practice." Although this plan has been followed fairly closely, one possible criticism of the book is that the authors seem to assume different levels of economic knowledge in different parts of the book. There seems to have been an attempt to cover a wide range of topics and, at the same time, limit the size of the book. As a result, some topics are covered in fair detail, while others are treated superficially. The authors have also made their task more difficult by including a lot of material describing marketing procedures. Such background information is valuable, but it is available elsewhere and could have been curtailed in favour of a more detailed theoretical discussion of the causes of variations in agricultural prices.

Although the book contains no distinctly new contribution, it should be useful as a general reference for students.

**Mobilization of Domestic Capital in Certain Countries of Asia and the Far East.\*** Economic Commission for Asia and the Far East, Bangkok, 1951. Pp. xii, 239. 13s. 9d. (Aust.)

An important aspect of the problem of financing economic development in the ECAFE region is an appreciation of the facilities for the mobilization of domestic financial resources. In this report the Secretariat of the Commission summarizes its findings and conclusions on this subject for a selection of countries in the region, viz., Burma, Ceylon, India, Indonesia, Pakistan, Philippines and Thailand.

Due to a lack of familiarity with banks and financial institutions, these do not play an important part in the economic organization of the region, but the recent growth of national governments has stimulated the growth of central banks as well as a number of commercial, industrial and agricultural finance organizations. All countries of the region, with the exception of the Associated States of Indo-China, Nepal, the Federation of Malaya, Hong Kong, Singapore, North Borneo, Brunei and Sarawak now have central banks, most of which are quite new. The statutory authority of these institutions varies throughout the region, the powers of the central banks in Ceylon, Korea, and the Philippines being more clearly defined than those in Burma, India, Pakistan and Thailand.

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\* This and other United Nations' publications may be obtained in Australia from H. A. Goddard Pty. Ltd., 255A George-street, Sydney.

In some countries political disturbances have seriously hampered the working of financial institutions and delayed the restoration of banking systems disorganized during World War II. Another problem in newly-independent countries arises from the fact that in the past modern capital enterprise and technical skill have, to a large extent, been foreign, and the peoples of the countries have had little opportunity to develop managerial and financial abilities. This has been due, in part, to the presence of a foreign community with superior equipment, finance and experience, e.g., the Chinese in Thailand, Burma, Philippines, Malaya, Indo-China and Indonesia, the Indians in Burma and Ceylon, the British in Burma, Ceylon, Malaya, India and Pakistan, the French in Indo-China, and the Americans in the Philippines.

One of the leading problems in raising the finance needed for capital investment is due to the fact that the amount that can be saved is severely limited by the low levels of income, and the fact that much of the income is not in the form of cash. Capital formation is also made difficult, due to the high proportion of the population (probably 40 per cent.) under 15 years of age.

The report emphasizes the necessity of external assistance to increase the rate of economic development in the region, but it is suggested that "in the present world-wide inflationary situation, governments should look to internal financing of economic development only from (a) taxation and surplus of revenue over current expenditure, (b) loans that tap current savings, (c) profit from state enterprises and (d) where feasible, reduction of foreign security holdings."

As an appendix to the survey there is a brief account of the rates of taxation in force in the various countries of the region, and it is pointed out that tax rates are generally high so that increased revenue from taxation must come primarily from improved tax collection.

**Economic Survey of Asia and the Far East, 1951.** Economic Commission for Asia and the Far East, New York, 1952. Pp. xxix, 400. 13s. 9d. (Aust.).

The most important point raised in this report is that there should be no recurrence of the severe fluctuations that occurred in 1950-51 in the external demand for products of various countries in the region. In several parts of the report the authors emphasize the serious effects on the economies of countries in the region of sudden changes in demand and prices for raw materials. It is pointed out, for instance, that a surplus of \$1,130 million in the balance of trade for ten countries<sup>1</sup> of the region in the first half of 1951 was converted into a deficit of \$350 million in the second half, due principally to demand and price fluctuations in international markets.

Two distinct phases are indicated in the price movements of raw materials exported from the region in 1950 and 1951 with early 1951 as the turning point. "Before this point, prices of raw materials had

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<sup>1</sup> Burma, Ceylon, Hong Kong, India, Indonesia, Indo-China, Malaya, Pakistan, the Philippines and Thailand. Other countries covered by the survey include Brunei, China, Japan, Korea, Nepal, North Bornea, Sarawak and Singapore.

gone through a strong upward movement, stimulated by speculative buying in anticipation of an outburst of exceptionally heavy demand, especially from the United States Government in connexion with stockpiling and military requirements. In February and March, 1951, owing mainly to a strengthening of United States policy in regard to the control of prices, imports, and distribution and use of certain raw materials, prices of raw materials in the world market dropped sharply, especially for the region's exports such as rubber, tin, copra, coconut oil and hemp."

The serious effects of drastic and abrupt changes in the trade policy followed by the United States is further illustrated by some concrete examples. In the case of Indonesia, for instance, a decision by the United States Government, in February, 1952, not to accept certain low grades of rubber was particularly serious for small holders in the region. In Indonesia, about 65 per cent. of rubber production comes from small holders, who produce mainly lower grade rubber, and about 90 per cent. of total exports of lower grade rubber goes to the United States. Indonesia was also adversely affected by United States policy regarding tin prices. A reduction of tin prices by the United States from \$1.36 per pound to \$1.03 per pound between June and August, 1951, caused a rapid deterioration in the foreign exchange earning capacity of Indonesia which is one of the major tin-producing countries of the region.

Thus there has been ample evidence of the extent to which underdeveloped countries in the region, dependent on exports of raw materials, are exposed to fluctuations in demand and prices which are virtually outside their control. The dependence of the region on raw materials is most pronounced in the countries of South-East Asia which produce mainly agricultural and mineral products, accounting for 70 to 90 per cent. of national income. As with the rice surplus countries (Burma, Indo-China and Thailand), the economies of the raw material exporting countries are undiversified, probably the least diversified being Malaya and Ceylon. In recent years the production of rubber, tin and coconuts has constituted about one-third of the Malayan national income and 70 to 80 per cent. of exports; in Ceylon, rubber, coconuts and tea account for about 80 per cent. of exports. In 1951, rubber, petroleum, coconuts and tin constituted 80 per cent. of all exports from Indonesia.

Food production is of great economic importance in most countries of the region, the exceptions being Japan (industrialized), Hong Kong and Singapore (entrepôts) and Malaya (specializing in raw material production). In the other countries of the region, agriculture is responsible for 40 to 65 per cent. of the national income, and 80 per cent. of the cultivated land is devoted to the production of food. Food consumption accounts for 50 to 55 per cent. or more of the total expenditure in the average family budget, compared with 30 to 40 per cent. in the more developed countries outside the region. The per capita food production in the region equals only one-half of the average for the rest of the world, and the position is deteriorating because, at present, the increase in population is not being matched by a proportionate rise in food supplies. While the population has increased by about 13 per cent. since pre-war, grain production has remained unchanged around the pre-war level.

Before World War II the region accounted for about 93 per cent. of the world production of rice, but since the war there has been a persistent shortage of rice and, instead of having an exportable surplus, the region has depended upon imports from other parts of the world to supplement its own production. Heavy imports of wheat and coarse grain have also been necessary to offset the shortage of rice. Production of meat and milk in the region is also below the pre-war level, and imports of preserved milk have increased substantially, especially in Ceylon, India, Indo-China, Indonesia, Pakistan and the Philippines. The export balance of fats, oils and oil seeds has improved in the last three years, but by 1951 it had only reached 1.6 million tons compared with 2.4 million tons in 1938. The reduced export balance of the latter commodities is due mainly to severe declines in exports of soybeans from China, ground nuts and linseed from India and palm oil from Indonesia.

One problem being experienced in the development of countries in the region is that shortages of technical personnel and lack of transportation and electric power make it difficult for them to make full use of large unexpected foreign exchange earnings in the purchase of capital goods imports within a short period. This problem will, of course, be reduced when countries are able to formulate their plans for development in exact terms so that they will be ready to import capital goods when circumstances permit.

A separate chapter is devoted to a discussion of inflation and deflation in the region, and there is a useful appendix containing statistics of production, trade and payments, money, finance and prices.

**Proceedings of the United Nations Scientific Conference on the Conservation and Utilization of Resources, Volume VI. Land Resources.** United Nations Department of Economic Affairs, 1951. Pp. 629. 56s. 3d. (Aust.).

This publication records the proceedings of the Land Resources Section of the United Nations Scientific Conference on the Conservation and Utilization of Resources (UNSCCUR), which was held at Lake Success, New York, in 1949. The proceedings of the other sections of the conference, corresponding to major resource fields of minerals, forests, fuels and energy, water, fish and wild life, have been published in separate volumes. In addition, there was a series of plenary meetings which considered the broader problems of resource development. The full text of papers and subsequent discussion at these meetings appeared in Volume I, published in 1950.

The primary concern of this international conference of scientists was with the practical application of science to resource management and use. The Proceedings of the Land Resources Section contains a large number of papers grouped under the following headings:

Methods of Soil Conservation; Organization and Evaluation of Soil Conservation Programmes; Soil Survey and Research in Relation to Soil Conservation; Aids to Farming; Improving Soil Productivity; Plant Breeding; Protection of Crops and Grasslands; Storage and Preservation of Agricultural Products; Livestock Breeding; Crop Policy and the Feeding of Livestock; Livestock Diseases and Pests; Condition of Grazing Lands; Seeding and Restoration of Natural Grazing Lands; Opportunities for the More Effective Use of New Agricultural Lands.



As the participating scientists represented over fifty different countries, it is possible to obtain an insight into methods being adopted to meet soil-conservation problems in many parts of the world. Several papers discuss the various physical methods of soil-conservation such as terracing, contour ploughing, strip cropping, rotation of crops, use of cover crops and stubble-mulch farming, and these are followed by a discussion of extension methods designed to encourage the adoption of soil-conservation practices.

A paper by Professor J. D. Black, entitled "The Co-ordination of the Best Soil Management Practices into Unified Farm Management Plans", emphasizes the importance of the influence of *both* technological and economic considerations on farmers' management decisions. This paper, and others on the economics of conservation, point out that farm managers need to determine the combination of practices which will yield the highest net return. "One cannot really determine that any soil management practice is *best* until he tests it in relation to its effect on net return."

Covering a wide range of specialized topics, all related to conservation and land use, this collection of papers will be an extremely useful reference for students, farmers and extension workers associated with agriculture and conservation.

**Statistical Year Book, 1952.** Statistical Office of the United Nations, Department of Economic Affairs, New York, 1952. Pp. 554. 56s. 3d. (Aust.) paper bound.

**Demographic Year Book, 1952.** Statistical Office of the United Nations, Department of Economic Affairs, New York, 1952. Pp. 518. 56s. 3d. (Aust.) paper bound.

These two yearbooks, now in the fourth year of publication, are almost indispensable to students of any aspect of world affairs. The range of subjects for which statistics are provided is wide.

*The Statistical Year Book* includes statistics for most countries, other than the U.S.S.R., covering manpower, agricultural production (in some detail), forestry, fishing, mining, manufacturing, transport, national income, internal and external trade, public finance and many other subjects.

*The Demographic Year Book* includes a wide range of relevant statistics, but like the *Statistical Year Book* it does not provide any detailed figures for the U.S.S.R.

The modern and growing practice of incorporating the year of publication in the title has been adopted by the Statistical Office of the United Nations for these two yearbooks. However, readers should be warned that neither publication contains statistics for the year 1952, and in fact figures for 1951 are often scanty.

The text of both publications is in English and French throughout. Both contain an index by countries, and the *Statistical Year Book* now contains quite a comprehensive subject index. It also includes a useful table of conversion factors for British, United States and metric units. The metric system of weights and measures is used throughout the *Statistical Year Book*.