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THE ECONOMIC SITUATION IN EUROPEAN AGRICULTURE

R. R. ENFIELD
MINISTRY OF AGRICULTURE, LONDON, ENGLAND

THE purpose of this paper is not so much to give a general description of the present position of agriculture in Europe as it is to deal with some of the chief economic events which have led up to it. As is well known, agricultural depression in Europe has been wide spread and has, during the last decade, affected the majority, if not all European countries in a greater or less degree. Since agricultural depression almost always brings with it hardship to a class of the community numerically very large but economically often amongst the least able to sustain it, it is not unnatural that the subject should have given rise to a considerable amount of discussion and to a variety of measures of agricultural relief.

In particular, the World's Economic Conference in 1927 dealt in its report with agriculture at some length, and the statement of the general situation which it contains has gained wide publicity and has frequently been referred to in subsequent discussions and publications. I propose, first of all, to deal with this report in so far as it sought to explain the situation in which agriculturists found themselves and then to refer to some other factors which, in my judgment, have exerted a profoundly important influence on the agricultural situation in Europe.

The general conception upon which the diagnosis presented in the report of the Conference was based, may be briefly summarised or paraphrased as follows: The exchange of agricultural for manufactured products is one of the fundamental exchanges of commerce and forms a great part of international trade. For this reason agriculture, industry and commerce are dependent for prosperity upon each other; to use the words of the report, "It would be vain to hope that one class could enjoy lasting prosperity independently of the other." This exchange, through the events of the war has got out of adjustment and (again to quote the report) a "disequilibrium has arisen between the prices of agricultural products and those of manufactured products; as a result, agriculturists in a great number of countries no longer receive a sufficient return for their labour and on their capital." Turning to the introduction of the report, we find the following passage:

"The Agriculturist complains that he buys the manufactures which he needs at high prices but sells at low prices the products of the soil. The documentation of the Conference indicates that if agricultural prices are low, and the agricultural community in many countries in a state of depression, it is not because there have been abnormal increases in the production of food stuffs, but because the demand from certain manufacturing communities in Europe is inadequate."

This point was the central idea in the Conference's estimate of the world's agricultural situation. Its chief importance lay in the unanimous recognition that a revival of agriculture must be sought, not merely by applying agricultural remedies, but that it was bound up with the development of industry and commerce.

There can be little doubt that the majority of experts present at the World's Economic Conference were in agreement that the immediate proximate cause of the agricultural depression was the disparity between agricultural and industrial prices brought about in the manner described above. M. de Michelis, President of the International Institute of Agriculture, gave expression to this view in his speech before the conference, and Professor Sering of Berlin, argued the same point at considerable length; indeed the latter apparently went so far as to suggest that the impoverishment of industrial Germany was one of the principal factors in the world's agricultural depression. These general conclusions have subsequently gained wide currency. They have been reaffirmed at the meetings of the Economic Consultative Committee of the League of Nations in 1928 and 1929, and have been referred to in many special economic publications dealing with agriculture, and by a number of individual writers.

I am bound to say that the conclusions of these experts and of the Conference as a whole are not, in my judgment, completely satisfactory. Without doubting that some disparity between the levels of agricultural and industrial prices has existed in some countries my own view is that the present situation of European agriculture is not capable of so simple an explanation, and further, that the diagnosis contained in the report of the World's Economic Conference does not fit the facts in a substantial number of cases. At most the disparity in prices is but a symptom of causes which lie much deeper in the economic system.

Let us first of all examine the data upon which it was based.

The World's Economic Conference had before it a certain number of statements from individual countries based on comparisons between indices representing the level of agricultural prices and the level of general commodity prices respectively. In the great majority of cases, the results showed a relatively low level for the prices of agricultural products. Personally, I think that the inferences to be drawn from a comparison of these simple index numbers are very limited; firstly, because a great deal depends on the method by which general commodity indices are compiled, and secondly, because the relation between such indices does not represent the relationship between agricultural prices and agricultural cost of production, nor does it represent satisfactorily the purchasing power of an agricultural community. Few European indices of commodity prices take a proper account, I believe, of the prices of manufactured goods most of them being based upon the prices of raw materials and semi-manufactured goods. In these matters most European countries are much behind the United States of America where the data available for constructing general index numbers are perhaps more complete than in any other country of the world. But even on the basis of the existing indices, the disparity between agricultural and general commodity prices did not always fit the facts, for some countries, such as Poland, which showed marked disparity between agricultural and general commodity prices did not complain of agricultural depression, while others, such as Great Britain, which had experienced a serious depression did not display this disparity in price levels.

Apart from these data, an attempt has been made by the International Agricultural Commission to compare indices of agricultural prices with specially prepared indices of working expenses and indices of domestic consumption. From these are calculated figures representing the purchasing power of agricultural products in respect, firstly, of the expense of production, and secondly, of domestic consumption. The most recent results were calculated for the year 1927-28 as compared with 1913-14. I need not read the whole of the table; it will suffice to say that in every country of Europe for which figures are given, with the exception of Bulgaria, Finland, Italy and Norway, costs of production are shown to have risen substantially more than agricultural prices when compared with pre-war figures, while in every case except Finland and Norway, the index for domestic consumption is substantially higher than that of agricultural prices. The mean result for the whole of Europe shows indices as follows:

Agricultural produce	135.0
Cost of production	147.4
Domestic consumption	176.2

From data such as the above, it is argued that agriculture, practically throughout Europe, occupies an unfavourable economic position and two theories—to some extent conflicting with one another—have been developed amongst representatives of agriculture in explanation of the general situation. One says in effect that the relatively low level of agricultural prices in comparison with those of industry has led to a decrease in the purchasing power of the agricultural community for the products of industry, which in turn has caused industrial depression, a diminution in output, and an increase in unemployment amongst manufacturing communities. The other says that the industrial depression and unemployment in Europe has led to a diminished or inadequate demand for the products of agriculture by industrial communities and hence to the disparity between agricultural and industrial prices, and has thus been the cause of agricultural depression.

It is of course very difficult to criticise figures such as those presented by the International Commission of Agriculture, without knowing more about their method of compilation, but I cannot help feeling that they do no more than add something of a quite general character to the general body of evidence showing that in certain countries the price ratio between manufactured goods and agricultural products, and between retail goods and agricultural products has been unfavourable to agriculture. I do not believe, having regard to the well known difficulties of constructing reliable indices of agricultural costs of production, that European countries as a whole have sufficient statistical equipment to obtain anything like a quantitative measure of the depression in agriculture based upon the study of prices, nor do I feel any significance attached to the ratio of agricultural and domestic prices. Furthermore, if European agriculture were labouring under so great an economic disability as was alleged, it is necessary to bear in mind the facts in regard to production. The index for production of foodstuffs for the whole of Europe, published by the League of Nations for the years 1923 to 1927 is shown in table 1.

Table 1. Index of Production of Foodstuffs in Europe, 1923-1927 (1913 = 100)

Year	*Index of production of foodstuffs*
1923	86
1924	89
1925	105
1926	101
1927	107

The figure for 1928 is not available but a further increase is foreshadowed. Again, Europe's share of the world supply of foodstuffs, a little over 44 per cent before the war, had fallen to 37 per cent in 1923, but in 1927 had nearly recovered its former position, the figure standing at approximately 42 per cent.

I think the correct inference from the facts that are available is that the unfavourable price ratio is one of the general factors in the depression of European agriculture over the last few years, varying in importance between country and country, and on the whole probably of less importance than it has been in the United States. I do not think it would be correct to regard this as the chief proximate cause. Other factors have supervened which in several countries have profoundly disturbed the ordinary economic conditions upon which European agriculture has rested, and have exercised in many cases more far reaching effects.

In the absence, therefore, of more reliable statistical information we may attempt to examine the question from a different point of view. It may even be the case that we can obtain a better estimate of the agricultural position in Europe in the light of the events which have actually occurred than by the comparison of price indices.

In his final address at the close of the World's Economic Conference in 1927, the president, M. Theunis, used the following remarkable words:

"The eight years of post-war experience have demonstrated the outstanding fact that, except in the actual fields of conflict, the *dislocation* caused by the war was immensely more serious than the actual destruction. The main trouble now is neither any material shortage in the resources of nature, nor any inadequacy in man's power to exploit them. It is all in one form or another a maladjustment—not an insufficient productive capacity but a series of impediments to the full utilisation of that capacity. The main obstacles to economic revival have been the hindrances opposed to the free flow of labour, capital, and goods."

To these words each section of the report gave confirmation. The conference took place after eight years of serious, and in some cases disastrous, economic dislocation. Immediately after the war it was largely due to financial and monetary causes, to the loss of capital, to unbalanced budgets and to violently fluctuating exchanges. These troubles to a considerable extent had been overcome, but others perhaps more difficult of solution remained.

The war had suddenly destroyed the economic interdependence of nations and, with the return of peace, confidence in each other was slow to revive. The spirit of nationalism evoked during the war had led to a growth of *economic nationalism* after the return of peace, tending to urge countries to policies of self-sufficiency rather than to the development of international trade.

The chief events which had affected agriculture may be summarised as follows:

1. The Russian Revolution which had the effect of interrupting and later severely curtailing the broad stream of foodstuffs which before the war flowed westwards from Russian and the Danubian countries, and the counter stream of industrial products which flowed eastward.

2. The creation of eight minor states in the frontier regions of three former empires of the Continent—Danzig, Austria, Hungary, Esthonia, Lithuania, Latavia, Czechoslovakia and Poland, each (except Danzig) with its own currency, its own tariff system, and each bent on a policy of self-sufficiency.

3. The creation under the peace treaty of some 7,000 miles of new tariff frontiers.

4. The raising of the level of tariff walls in several countries. The following table taken from the League of Nations publication on tariff level indices representing the average ad valorem import duties of various countries, gives some idea of the extent of this movement (table 2).

Table 2. Index Numbers of Average Ad Valorem Import Duties of Various Countries

Country	General imports		Manufacture	
	1913	1925	1913	1925
Czechoslovakia	18	19	18	27
Hungary	18	23	18	27
Italy	17	17	18	22
Netherlands	3	4	4	6
Poland	—	23	—	32
Spain	33	44	41	41
Switzerland	7	11	9	14
Jugo Slavia	—	23	—	23

5. The special position of Germany by reason of the heavy economic burdens she was called on to bear after the peace treaty.

6. The considerable fall during the war in production of cereals, not only in eastern Europe but in the industrial West, which had, in 1927, only partly been recovered from.

7. A considerable expansion in cereal production during the war in overseas countries, with the result that western Europe had come to look less to Russia and the Danube and more to the newer countries for its imports of grain.

8. A profound change in the debt and credit relationship of nations. The pre-war position of industrial western Europe as creditors had largely been destroyed, while the United States of America, previously a debtor nation, had become the world's chief creditor.

9. Lastly, the violent—in some countries unprecedented—disturbance in the purchasing power of money, with all the attendant evils which it involved.

Out of these, and perhaps other factors, had developed the profound economic malaise which has afflicted Europe's industrial life —alike in industry, agriculture and commerce. Europe had become entangled in a vast network of economic impediments, which have obstructed its recovery and too often stifled initiative. Some measure of this is given in the figures published by the League. Taking the world as a whole, the year 1925 showed an increase over pre-war in the production of raw materials and foodstuffs of 16 per cent, and an increase of 7 per cent in international trade. Europe's production, however, had increased by only about 3 per cent while its international trade had fallen to only 91 per cent of its pre-war volume. (Since then there has been some substantial recovery. European production has increased (in 1927) to 110 per cent of its pre-war volume and its international trade to 103 per cent.)

Perhaps the most obvious symptom of the general economic maladjustment in Europe was the growth of unemployment, estimated at the time of the World's Economic Conference to amount to a total (including dependents) of 20,000,000. Moreover, it is well known that the level of real wages and the general standard of living had seriously depreciated in several countries, particularly Germany and the smaller central European states. In view of these considerations, I cannot doubt that the World's Economic Conference were right in regarding the agricultural situation as largely the outcome of the industrial depression and that the unfavorable price ratio was due more to an inadequate demand for the products of agriculture from certain industrial communities of Europe, than to an over-expansion of the world's output of foodstuffs. Indeed it would seem hardly an exaggeration to say that the cure of industrial unemployment by the re-absorption of the unemployed workers in productive industry with all that that implies would have gone a very long way towards the cure of agricultural depression. Agriculture, therefore, has a direct and urgent interest in what may be called the policy of the World's Economic Conference, that is to say, the policy of disentangling European economic life from the many artificial obstructions which are opposed to the free flow of capital, labour and goods.

But when we have said this we have by no means covered the ground. The chief criticism of the diagnosis presented by the report of the World's Economic Conference, and by subsequent writers who have taken this report as their text, seem to me to be the complete omission of any reference to the agricultural consequences—direct and indirect—of the changes in the purchasing power of money which have taken place since the war. To omit so potent a cause of disturbance must necessarily have left the diagnosis incomplete. No country has escaped these consequences; in some I do not doubt, it has been the most important single economic factor of all.

The monetary history of European countries since 1920 has differed very considerably. In a certain substantial group the course of prices has, with minor fluctuations, been downwards during the last nine years. This group includes Great Britain, Spain, Denmark, Norway, Sweden, Holland, and Switzerland. In regard to these countries I think it would be true to say that they have suffered not so much from the fact that agricultural prices have been low, as that they have been falling. A second group includes those countries which suffered a serious, and in some cases an unprecedented inflation after the war, in which a great deal of the nominal capital employed in agriculture disappeared. In this group are included Germany, Austria, Poland, Russia, and with a less violent inflation, Bulgaria, and the Kingdom of Serbs, Croats and Slovenes.

A third group experienced a moderate deflation between about 1920 and 1922, and thereafter a general rise in prices, followed, in some cases, by a moderate fall. This includes France, Italy, and Belgium. Leaving out of account fluctuations in individual commodities, I think it is broadly true to say that agriculture has suffered least in countries of the third group, and even in a country like Poland, in which, at the time of the World's Economic Conference, a sharp disparity between agricultural and industrial prices was shown. The gradual inflation of the previous four years had apparently enabled farming to carry on with at least normal profit.

France is a country which, whether by luck or design, has escaped many of the economic maladjustments arising out of monetary changes which have afflicted other countries, not only in agriculture but throughout their industrial systems—maladjustments between the levels of wholesale and retail prices, between the cost of living and prices in certain trades, between the volume of employment in one group of trades compared with others—maladjustments which have resulted in many countries, in a large proportion of the industrial population being out of work. In this economic sense France is perhaps the most healthy nation in Europe. Moreover, from the beginning of 1922 to the middle of 1926, she enjoyed a gradually rising price level, and French agriculture remained relatively prosperous, escaping the many difficulties and hardships that confronted farmers in countries where the general price movement was in the opposite direction. It was only with the deflation of the franc, which began in the middle of 1926, that such difficulties began to be felt, and even today it is probably true to say that French agriculture is amongst the least depressed in Europe.

Italy and Belgium have had, broadly speaking, a similar experience.

Depression has been unquestionably more severe where the course of prices has been almost continuously downwards since 1920 as in Great Britain and, with a minor interruption about 1923-24, in the Scandinavian countries. Not only has the falling price level had the effect of lowering the prices of agricultural produce relative to the costs of production which were actually incurred, but it has also led to a progressively increasing burden in respect of mortgage interest, and other fixed charges, and to the accumulation of debt, which has undoubtedly been a widespread consequence to agriculture of monetary deflation. Moreover, in certain countries, the position has been aggravated by a sharp disparity between the level of wages and the level of prices in agriculture. Conspicuous amongst those which have suffered in this respect are Great Britain and Sweden.

The increase in the volume of farm indebtedness is probably one of the most important adverse factors in countries of the first and second of the three groups I have mentioned above, although the data available on this matter are very scanty. Apart from Germany, which I will refer to in a moment, there has been, according to the International Institute of Agriculture, a fairly general increase in agricultural indebtedness amongst these countries. In Austria, the volume of debts has increased very rapidly since 1925 (? 800 per cent in 1926). In Sweden, it rose from 1,193,000 cronen in 1900 to 4,753,000 cronen in 1925. In Switzerland, mortgage debts rose from 3,324 million francs in 1911 to 3,642 million francs in 1926. In several other countries, including Great Britain, farm indebtedness is known to have expanded, but figures are not available.

The case of Germany requires special mention because her position hardly fits in with any of the theories which have been put forward in explanation of the general agricultural situation in Europe. Germany is a country which has been called upon since the war to bear almost unprecedented economic burdens and agriculture has suffered along with other industries, if not to a greater degree. The real cause of the crisis in German agriculture was financial and monetary. In the inflation which followed the war, a very large amount of the long term capital invested in agriculture disappeared, and Germany's great system of rural credits, for the time being, broke down. Agriculture although momentarily freed of a great part of its pre-war debt, was faced with an acute shortage of working capital and interest rates became almost prohibitive. With the establishment of the Rentenbank Creditanstalt, aided by capital borrowed in the United States, the needs for working capital were to some extent met, but for various reasons, the volume of post-war agricultural indebtedness increased with great rapidity, reaching by 1928 a figure not far short of the pre-war indebtedness, which had been the accretion of nearly a century. According to one authority, the estimated pre-war total debt was 18 milliard marks, against which landlords held cash assets of some 5 milliards. The post-war debt is put at about 13 milliards, but partly on account of the actual increase in interest rates, partly owing to the disorganization of the market for land bonds, the annual cost of the debt has been estimated to have increased by about 80 per cent.

Although, after the stabilisation in 1923, the disparity between industrial and agricultural prices was considerable, and was apparently aggravated by high industrial tariffs and prohibition of agricultural exports, this factor has improved in recent years, particularly since the influx of new loans from the United States, and, according to Professor Sering of Berlin, it is to be regarded as only a secondary cause of the agricultural depression. The main causes are the heavy burden of debt, the high rates of interest and heavy taxation. Professor Sering quotes certain investigations which show that fiscal burdens in East Germany have risen from about 13 marks per hectare in 1912-14 to 37 marks in 1924-26, and in West Germany from 16 to 55 marks per hectare during the same period. Apart from the domestic consequences of these conditions, I do not doubt that Professor Sering is right in arguing that the impoverishment of industrial Germany has been an important adverse factor not only in Germany but in the whole European agricultural situation, though possibly he may have overstressed this point.

Such are some of the general economic factors which have affected agriculture on this side of the Atlantic. I have not had time in this paper to refer to the special factors arising out of changes in the statistical position of individual commodities such as wheat and sugar. But their effect has not been unimportant. Today, although there are obvious indications of considerable economic recovery, and in certain countries the agricultural depression may be said to be at an end, Europe has by no means disentangled herself from the network of economic maladjustments which have undoubtedly prevented a more rapid recovery. The policy of the World's Economic Conference, that is, the policy of gradually lowering customs tariffs and removing other trade barriers, has found many adherents amongst individuals and amongst representative trade organizations. But it has found little support from governments. The spirit of economic nationalism which has largely provoked the policy of high tariffs, is still strong and many countries are deeply committed financially to the development of national resources behind protective tariff walls —that has always been one of the difficulties. Moreover, it would be absurd to suppose that the United States tariff policy does not exert an important influence on European thought in this matter. We may well see in the near future, a much more definite development of the proposal of a European customs union—largely directed against the United States—a proposal which has already found favour in some quarters.

Lastly, there is the general monetary situation. Most European countries have now re-established their currencies on a gold basis, and the problem of the future purchasing power of gold has, or should, become pre-eminent amongst international economic questions. To my mind, there is no question of greater importance than that of whether, during the next decade, gold standard countries will have to face a gradual but continuous fall in prices or whether, by international cooperation, the stabilisation of the price level can be achieved. It has been talked about for seven years —ever since the famous conference at Genoa in 1922—but today, we find ourselves in a position in which all the outstanding monetary events of the present year have been unfavourable to stability and favourable to a further fall in prices. At the present moment, the whole question is being explored by the economic organization of the League of Nations, and it is not unreasonable to hope that some steps towards greater international cooperation may be the outcome of these enquiries. To agriculture, I am convinced —having regard to the economic disabilities under which it has laboured during the last decade—there is no question whose solution is more necessary if economic health is to be restored to the industry; none, if it fails to be solved, which is fraught with graver dangers.

DISCUSSION OF MR. ENFIELD'S PAPER

Professor Black—I wish to compliment Mr. Enfield upon his comprehensive picture of the elements in the European agricultural situation. I particularly appreciate the healthy realism of his treatment and his presenting all the elements in the situation in their proper proportion. On general principles, I would agree that he is entirely justified as to his skepticism concerning the significance of the statistics of agriculture of the different countries. There are so many significant elements in a problem of this nature that are not included in the index numbers, that one must not take them too seriously at their best. The foregoing may be illustrated by the question of the standards of living of people in different countries. Even in Germany, men closely in touch with fundamental conditions have assured me that the actual living conditions of farm people have improved since the war, and that even the small holders are living somewhat better than in the old days. In the United States it is easily seen how technical improvements such as are represented by the automobile, the radio, and improved lighting and heating, have brought more comfort into farm homes, and that the increase in the cost of living is by no means in proportion to the consumption of utilities which these things represent. It is entirely possible that a considerable measure of these same influences has entered into the European situation.

In most places in Europe, I was told that the land market was stagnant. This is the outstanding feature of the agricultural situation in the United States. I am disposed to think that this is the most significant single element in the whole agricultural situation at the present moment. No doubt there are many elements in common which account for the similarity in this respect in Europe and the United States.

In Europe as in the United States, according to Mr. Enfield, industry is prospering and agriculture is lagging behind. Here too, there seem to be certain circumstances which are common on the two continents.

If I were to take issue with Mr. Enfield on any point, it would be in the direction of less emphasis upon the purely monetary aspects of the problem, and more upon changes in agricultural production. So far as the United States is concerned, the monetary influence in the situation was a major influence from 1921 to 1923, but since that time it has been outweighed by forces stronger in nature, some of them of longer standing, probably dating back in their origin to the early years of the century. I expect that a careful study of the situation in each country would reveal that each has much in common with the United States in this respect. No doubt the approach to the problem in terms of individual commodities, such as Mr. Enfield has suggested, would reveal these special circumstances. In England, for example, one cannot talk realistically about present conditions of agriculture without mentioning specifically wheat, sugar beets and beef cattle. The prosperity of the producers of these products must be analyzed in terms of the conditions under which they are produced in all of the competing countries of the earth.

Dr. Taylor—While listening to this paper and reflecting on the whole world situation, I found myself intensely interested in the progress of this week's work from the particular to the general. I am especially impressed that agricultural problems are world problems, and that men engaged in attempts to solve agricultural problems need to get together. I appreciate the foresight of the men who saw this need. Agriculture is a world industry. We need some means of continuing these relations which we have established here at Dartington Hall. We now appreciate the obstacles and difficulties of solving agricultural problems in a way we have not been able to, hitherto. We need to work out the problems of agriculture from the standpoint of the whole world. Suppose we had a greater exchange of products between Europe and the United States, the tariff barriers being out of the way, would it improve our market for agricultural products in the European countries? Would European industry prosper and American agriculture benefit too? In what measure would the agricultural problems of Great Britain and of Europe be solved by a European tariff union? The outcome of this Conference may be that we have learned the necessity of uniting our efforts to solve these problems.

Dr. Warren—In the United States the gasoline engine has accentuated the agricultural depression. About 8 per cent of our crop land has been released by the substitution of tractors and trucks and automobiles for horses.

Agriculture has a slow turnover and is slow to adjust itself when prices rise or fall. When prices fall, taxes are burdensome. The movements of taxes and wages are about the same. The lag in debts is also serious, but most serious of all is the lag in distributing charges. The index of farm prices of food is about 50 per cent above pre-war, but retail prices are 70 per cent above pre-war. Food is no longer cheap.

Professor Ashby—As regards Dr. Warren's statement about wages I entirely agree. Economic advantages may have different effects under different circumstances. The drop in wheat prices has not been anything like as much as it might have been because of the higher cost of transport.

Political pride is a great hindrance to rational consideration of the agricultural question. The tariff is a clumsy form of control, and we want a substitute which will give us control of import and export prices. We must build an institution to take the place of the industrial cartel and the trust in our own sphere, and on international lines.

We are up against the biggest problems when we talk about distribution, and of regulating the flow to consumers. We are not only up against existing economic interests, but against political power. Any development of international control of production and trade may mean in the end, the break down of existing political barriers.

Mr. Orr—The thing that strikes me as remarkable is that probably the element in the situation which would have figured largely in an economic discussion of 50 years ago has been almost overlooked, namely, the adjustment of supply to demand. The depression in agriculture varies from country to country. France has had practically no depression. There has been serious depression in the United States and in this country. The United States set itself to produce enormous amounts of food during the war for other countries. Britain tried to support herself. Germany did the same. Production was wrenched from its normal peace time basis and we are now suffering all the discomfort attending the effort to readjust it. Sheep-farming has been steadily prosperous because the supply of wool and mutton has been relatively short.

Mr. Harkness—The question which presents itself to me is whether the small family farm is more capable of resisting fluctuating prices than the large industrial one. This question is of considerable importance for England at the cross roads—small farming or nationalization?

Does the state supply the farm mortgage funds in other European countries, and are they subject to frequent fluctuations in interest rates?

Mr. Enfield—In reply to the question as to the effect of lowering United States tariffs, I may say that it is my opinion that if such a movement were part of a general movement, as contemplated by the World's Economic Conference, there can be no doubt that it would promote international trade between Europe and America. The question we should like to have answered is: How long will the United States be content with her policy of obstructing the entry of goods by means of tariffs and balancing her payments for imports by permitting a continuous growth of European indebtedness?

As to the effect of general economic forces, such as changes in the purchasing power of money, an important factor is the growth within the modern industrial system of what might be called economic friction. Highly organized industries are able to oppose the normal working of economic law and delay its action. The consequence is to set up a number of economic maladjustments during a period of falling prices. The effect of this is to prolong the period of depression after immediate causes have ceased to exercise an active influence.