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THE AGRICULTURAL SITUATION IN GERMANY

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THE committee in charge of the program requested that I speak on the subject of cooperative marketing in Germany. I am sorry that I am not sufficiently familiar with the cooperative marketing movement to speak upon that subject. I may say briefly that the number of cooperatives in Germany increased after the war. The cooperatives failed to work together, however, because in many cases differences in political points of view led to difficulties. Today we are trying, and with success, to federate and reorganize the cooperatives, and bring about greater unity of action. We expect much from the cooperative movement in aiding the recovery of German agriculture.

I shall now try to give a brief survey of the present agricultural situation in Germany which has developed as the result of a number of different factors such as the World War, inflation, deflation, and so forth, and which is characterised at present by unfavorable price relations and high interest rates. We now consider nine per cent to be a low rate of interest. Many farmers pay fifteen per cent interest or even more.

The situation is particularly acute in large areas in eastern and northern Germany where large farms, at considerable distances from market, predominate. The situation is serious, not only from the standpoint of Germany, but from the standpoint of the whole of Europe. It is not desirable to let the problem work itself out in its own way because there are too many large farmers who are nearly bankrupt. If the breakdown of the large farms affected only the owners of those farms, the problem would not be so serious. The economic well-being of a hundred, or even of a thousand farmers, is not a question likely to shake the entire national economic structure. However, if a large number of farmers go bankrupt within a limited area, the economic life, not only of the farmers, but of the whole area, is affected by the breakdown. This danger is so great that the problem of localizing the crisis is of the greatest importance. The whole German economic structure is so much affected by reparations and so forth that it is not in a position to withstand a severe shock.

The amount of assistance which the State can give is very limited.

It is essential that the government should not attempt to give aid to enterprises which are beyond help. It is very difficult to decide which of the heavily mortgaged farms should be allowed to go bankrupt and which should be helped. The breakdown of a certain number is unavoidable. It is a natural preliminary of the process of recovery. It is important however that the breaking down process should not be allowed to go too far. A fundamental recovery will be possible only through a general adjustment of the entire situation, since only then will the heavily mortgaged farms be cleared up and purchased by farmers with new capital. The regulations of the large financial institutions, designed to cope with the agricultural credit situation, are very interesting, but we do not have time to go into that here.

The methods recommended for bringing about a recovery of agriculture are manifold. High prices for farm products is the most commonly offered remedy. It is necessary to remember, however, that increasing the price of food proves a vicious circle. Another danger is the fact that the attempt to raise prices in importing countries is usually made through increasing tariffs. Tariffs are always walls, and walls separate. They are a source of enmity. In the shadow of these walls hate develops. We cannot do away with customs duties under all circumstances, but every country should impose as few duties as possible. I, for my part, favour the lowest possible tariff for Germany.

The unfortunate position in which most European countries find themselves is the result of a complete change in the world market. Europe lost an important part of the world market to America. America has been shipping large quantities of agricultural and industrial goods to Europe and has closed her doors to European products. She demands that European countries buy American products and contract loans in lieu of payment. That places the countries of Europe in a very bad situation. I do not believe the European countries can meet such demands and compete with America in the future if we cannot find ways and means of overcoming the difficulties arising out of our "surplus" of frontiers. This surplus of frontiers which was too large before the war, was enlarged by the peace, which was full of economic mistakes.

We find today economic crises in all parts of the world, crises apparently resulting from an over-production of agricultural products. It does not seem possible to me, however, that we have

an over-production of food in the world, in view of the fact that thousands and thousands of people are starving. I do think that we have a very poor distribution of products in the world—a poor distribution resulting or following from an unfavorable political situation in the world. I hope that the solution of the problem may not be sought in the restriction of food production but rather in better distribution, and in the mitigation of the obstructions arising from frontiers between the different nations. It should be possible to find ways to bring about satisfactory relations between the prices of agricultural and of non-agricultural products.

But I wish to come back to the German situation. We must attempt to bring about a recovery of agriculture in Germany through "Rationalisierung," that is, through reducing the costs of production, through increasing farm prices by shortening the distance from producer to consumer, and through attempting to bring about a greater degree of price stabilisation. Cooperative marketing is one of the important ways in which we hope to bring about an improvement.

We must also try to reform our "Soziallasten," by which I mean our systems of sick benefits, unemployment insurance, and so forth. They are at present too heavy a burden on our people. While there is need of change, it is difficult to bring about the necessary reforms quickly because we are the neighbors of Russia. You may well understand what that means.

It would take too long to deal with all of the problems involved in attempting to bring about a recovery of German agriculture. All of our discussions during the past week concerning surveys, cost accounts, and so forth, have a bearing on the problem. I must say, however, that farm management people everywhere have been giving too much attention to these things. We need all of this work and the results are of great help in making decisions in connection with our practical farming problems. However, the knowledge which it is possible to acquire in this way is limited. All of the data which we secure from cost accounts, surveys and so forth should be used with the greatest caution. Those persons who, like myself, must apply these results nearly every day to the problems of practical farming realize their limitations. In practical farming, all questions of organisation ultimately resolve themselves into questions as to the best size of enterprise, the relation

of one enterprise to another, the best kind and size of implements, the degree of intensity to which the single enterprise should be carried, and so forth. In answering these questions, data from cost account records, surveys, and so forth, are helpful but they do not give the answer. They require interpretation, and they can only be properly interpreted by persons who are familiar with practical farming. Again, in the field of education, too many figures result in the student losing contact with the practical problems of life, and it is of the greatest importance for our agricultural industry that the agricultural students stand firmly with both feet on the ground.

For the sake of the advancement of science, we should not over-emphasize the usefulness of this work. Call to mind the development of the science of farm management. I believe that Germany has led in the development of this science. We have worked for over a hundred years in this field, and I recall such a name as Albrecht Thaer. The greatest progress in the science of farm management in Germany is represented by the work of two men, Heinrich Thunen and Frederick Aereboe. Both are typical exponents of the deductive method. Please do not misunderstand me. I am fully conscious of the great benefits that may be derived from the use of records, surveys, and so forth, but I think that it is also well to recognize their limitations and their dangers.

In closing I might touch briefly on the land question. "Land-siedlung" or land settlement is an important problem in Germany. We feel, for a number of reasons, that there should be an increase in the number of small farms, especially in the east of Germany. We believe that such an increase would help to improve the agricultural situation. It would certainly help to take care of the surplus agricultural population. In Germany, as in the other countries of central and western Europe, there has been a decline in the birth rate. It is thought that an increase in the density of the agricultural population will prevent a further decline. Personally, I do not believe it is feasible to attempt to stop the decline of the birth rate in those countries with a highly developed civilisation. It has always been the case that the birth rate has declined as the standard of living has increased. If children are expensive and parents wish to provide for them the same, or a little better standard of living than they themselves had, the number of children is small. If, as during a period of colonisation, children come to be

considered in much the same light as capital, then there is an increase in the number of children because every extra pair of hands permits of cultivating more land. Education and religion have some influence on the birth rate. They tend to cause it to increase or decrease to some extent, but its course is chiefly determined by economic factors.

If, in conclusion, I should attempt to answer the question as to what I think will be the most important factor in bringing about the recovery of German agriculture, I should answer that it will be the education of the people. The agricultural problem is chiefly an educational problem because the influence of the man—his skill and his knowledge—overshadows all other influences. The chief problem of education is not the teaching of facts. The chief problem is the development of the faculty of judgment.

DISCUSSION OF DR. ZÖRNER'S PAPER

Dr. King.—Dr. Zörner has brought us very close to some of the fundamental problems before this conference. I find myself very happy at the emphasis which he placed upon the educational aspects of the problem. If I have sensed the general feeling of this conference as to the needs of the situation and were to try to express it in one word, that word would be mobility—mobility of goods, of ideas, and of persons. If that be true, the problem is one of creating the best type of human material, and if that be true, education lies at the root of it all.

Mr. Orr.—Would Dr. Zörner elaborate what he meant when he said we should make more use of deductive methods?

Dr. Zörner.—It is using our knowledge together with our "feelings" about things—a balance between looking into things (facts and figures) and "feeling" things in real life. We are in the way of losing these feelings when we give too much importance to statistical work.

I have seen in Russia an attempt to find the answer to agricultural problems by studying only costs, and so forth. Without an understanding of the other side of the problem they will be unsuccessful.

Mr. Lewis.—Dr. Zörner approaches a very important aspect of the study of agricultural economics. It seems to me that at the present time there is a wide-spread tendency to draw hasty conclusions by methods almost entirely inductive. There is a danger in specialising too much on the historical and statistical method in costings and surveys—very often without a true appreciation of the exact meaning or value of the basic data used. Statistics mainly represent samples, and very often samples may not truly represent the whole. It appears to be necessary to pay more attention in many instances to the deductive method, and to principles arising from a general observation of local, national, and inter-

national conditions. What is required is a proper balance between deductive and inductive methods.

Professor Case.—Those of us from the United States, I believe, will agree that we are a little disappointed at times because farmers do not give more attention to our formal publications. In farm management especially, there is a need of bridging over the gap between theoretical deductions and farm practices. Perhaps it might be gathered from certain things that have been said that we have gone a little too far in emphasizing the practical. It has seemed essential, however, that we secure the interest of our farmers and perhaps in doing so emphasis has been placed upon the practical interpretation of farm management results, making use of current farm data to carry over the more theoretical economic ideas. As time goes on it may be expected that farmers will come to interpret our material and see its application in a clearer way and when that time comes more use may be made of the deductive method. At the present time it seems desirable that sufficient current data be used to serve as a vehicle in getting our message across to farmers.