



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.*

PROCEEDINGS
OF THE
SECOND INTERNATIONAL CONFERENCE
OF
AGRICULTURAL ECONOMISTS

HELD AT
CORNELL UNIVERSITY,
ITHACA, NEW YORK,
AUGUST 18 TO AUGUST 29, 1930

The Collegiate Press
GEORGE BANTA PUBLISHING COMPANY
MENASHA, WISCONSIN

1930

5 cards

Population, Rural. Mobility
Farm. Farm. Labor
Wages. Farm. Labor

Indexed

THE MOBILITY OF AGRICULTURAL PEOPLE

EDMUND WHITTAKER

EDINBURGH AND EAST OF SCOTLAND COLLEGE OF AGRICULTURE,
EDINBURGH, SCOTLAND

IN AGRICULTURAL economics, as in most things, it is stimulating, on occasion, to examine the particular problems presented in the light of first principles.

"Economic distribution," and that matter so directly bearing upon it, the transferability of labour and capital—of people—from where they are into other employments, is no exception to this rule.

For the better understanding of some of the ideas advanced, it may be explained that the area specially considered, the south-eastern one-third of Scotland, is a district of large "capitalistic" farms—large in the number of workers employed. The typical farm may be several hundred acres in extent. It is operated by a tenant farmer employing a number of workers, and paying cash rent to a landlord who takes no interest in the farm management.

Under such conditions, obviously, "distribution" or the way in which income is shared between the partners—landlord, farmer, and labourer, respectively—becomes important.

People in the United States are, of course, less concerned with this subdivision of the agricultural income than are Britons, since in America, agricultural land, capital, and labour, are, more often than in Great Britain, provided by the same individual. Agricultural economists in all countries are, however, vitally interested in the way in which the whole national income is divided between agriculture and other industries.

THEORIES OF RELATIVE WAGES AND PROFITS

The shares are all prices. Wages are the price the particular type of labour concerned sells for, farmers' profits the price of their capital and skill, rent that of the use of land and buildings. Like other prices they are controlled by supply and demand.

Adam Smith tried to explain how the pricing process worked. "The whole of the advantages and disadvantages of the different employments of labour and stock must, in the same neighbourhood, be either perfectly equal, or continually tending to equality. If in the same neighbourhood there was any employment evidently

either more or less advantageous than the rest, so many people would crowd into it in the one case, and so many desert it in the other, that its advantages would soon return to the level of other employments. This at least would be the case in a society where things were left to follow their natural course, where there was perfect liberty, and where every man was perfectly free both to choose what occupation he thought proper, and to change it as often as he thought proper."¹

The assumption that "every man was perfectly free both to choose what occupation he thought proper, and to change it as often as he thought proper" was, of course, contrary to observed fact. Smith, when he postulated "in the same neighbourhood," admitted that distance may hinder the mobility of labour and "stock." Mill, in particular, saw the limitations of such a simple theory, and, in stating his version, introduced many qualifications.

Nevertheless the idea was accepted readily. Like many classical "laws" it had the merit of being very convenient. If it were correct, all that society required in this connection from its governors was to be left alone. The regulation of economic affairs was an easy task in the days of *laissez-faire*. Even today the thought crops up, for example, in the statement, made not uncommonly in Great Britain at the present time, that the intensity of the demand for rented farms is evidence that "farming pays."

Observant people would point out that, however true the theory may be that relative wages and profits tend to be such as to equalize the advantages of different employments in the "long run," in the "short run" there exist far too many impediments to the free mobility of labour and capital for it to be anything like true. Every man is *not* "perfectly free both to choose what occupation he thinks proper, and to change it as often as he thinks proper." When, for example, in a particular industry, there happens to be too many prospective workers, wages fall, and the surplus people may wish to leave. Their desire is, however, of no avail, unless, and until, they can leave. They have acquired skill in their present occupation. Elsewhere they may be merely general labourers without the muscle, endurance, and versatility required by successful general labourers. Their homes and family ties are, moreover, localized, and can be uprooted only with very great difficulty. In

¹ "Wealth of Nations," Book I, Chapter X.

consequence the workers may have to stay where they are even though they feel sure they would be better off elsewhere. Further, unless there should be other employments nearby, whose training-cost is within reach, their children may have to remain also. Alternatively, of course, both they and their children may remain in the industry because they do not even know that chances are better elsewhere. People who see such things would reply to the man who says that the number of applicants for rented farms is evidence that "farming pays," by pointing out that it is just as likely to indicate that more farming youngsters are trained up in agriculture than their neighbourhood can provide farms for.

A viewpoint, diametrically opposed to the theory of relative wages and profits outlined above, is taken by some other economists, who go so far as to assert that, in some instances, mobility does not exist.

It has been said, for example, that the small farmers in a certain district have "no refusal price at all," meaning, presumably, that they would stay where they are even though their rewards should shrink to nothing. This statement is no doubt intentionally exaggerated to give it force. It would seem that even if the descendants of the small farmers who are alleged to have "no refusal price at all" had to beg their way elsewhere, some of them sooner or later, would move away.

MOBILITY AND THE AGRICULTURAL ECONOMIST

To summarize, it may be admitted at once that the greater the freedom of movement from one job to another obtaining, the more likely it is that, in the various occupations, rewards will be those which equalize their advantages and disadvantages; that is to say, the nearer Smith's postulate of perfect freedom of movement is approached in fact, the more true will be his general theory.

All economists will agree that the right place for every separate bit of capital and labour in the world to be employed is where it will do most to satisfy the world's wants. If any bit is engaged, at present, in producing goods or services for which society evidences little need, and is in consequence badly paid, the enlightened social economist should wish to transfer that bit to where it will "tell more" in production.

The economist here has two jobs. First, he should assist the

farmer or other producer to find out how the rewards he receives compare with those of men in other branches of his industry, or in other industries. Second, if the underpaid producer is not free to move into other lines of production, the economist must endeavor to set him free.

Towards the first half of his duty, the agricultural economist has done a great deal. Very much less attention has been given, in agriculture at least, to the second part. There is no reason for this. Economists try to assist producers in carrying out the business of production to the best advantage. It is surely at least as important to help them find, and get to, the most promising field of production.

AN EXAMPLE OF THE IMPORTANCE OF MOBILITY

A case can be stated for the opinion that, because of their immobility agriculturists may be underpaid. The view was advanced by the author, in a paper published some time ago that there tended to be too many people in agriculture.² Whatever may result from the long-time operation of the law of diminishing returns, progress in agriculture has resulted, to date, in the labours of a single farm worker feeding an increasing number of people. The proportion of the world's workers required for food production has, therefore, diminished, that is to say, the demand for them has fallen. Owing to the higher birth rate and lower death rate obtaining amongst the rural population (British statistics were used), the supply of farm people tends to increase. There is, then, a surplus of prospective food producers, and, should the flow of this surplus into other industries be hindered by barriers such as have been mentioned, it can be expected that rewards in agriculture will be low. In other words, as has been well said, "instead of the population pressing on the food supply, the food supply may be pressing on the population."

INFORMATION AVAILABLE CONCERNING MOBILITY

The second part of the task set the social economist—it is admitted that he has others—was to discover how far movement was possible, and, if necessary, devise means to facilitate it.

² "Population and Rewards in Agriculture," *Scottish Journal of Agriculture*, April, 1929.

Some progress has been made in the investigation of movement, more, it may be said, in the United States than in Great Britain.

SPECIAL POSITION OF THE LARGE-SCALE FARMING UNIT

Inquiries made in the Edinburgh area indicate the possibility that the mobility of farmers may be much more free in an area of large farms, than where the holdings are small.

Farming on a large scale is often precarious, in the sense that, other things being equal, it can be expected to show greater fluctuations in profitableness to the operator than does small-scale agriculture.

This fact is seen readily by consideration of what would occur if a hypothetical group of ten small farms, each wholly operated by the farmer and his family, were to be thrown into a single large holding carrying on the same type of agriculture. Suppose that each small operator had made an average annual profit of £200 of which three-quarters represented payment for labour and one-quarter remuneration for capital and management. Suppose, also, that the "average profit" of £200 was, in fact, the mean of annual balances ranging from £100 to £300. Leaving aside the question of whether efficiency would be affected, on the change taking place we could expect that the large farm would have annual balances (available as payment for labour, capital, and managerial activities) ranging from £1,000 to £3,000, with an average of £2,000, *i.e.*, ten times the amounts for each small farm. Of the £2,000, £1,500 would go in payment for labour, on a farm of this scale, presumably, wholly to paid workers. There would remain £500 as remuneration for farmers' capital and managerial skill.

In a "bad" year, when the margin was £1,000 only, the operator, with a wage bill of £1,500, would lose £500. In a "good" year, the balance being £3,000, he would make £1,500. Instead of ten small farmers, each making profits varying from £100 to £300 in different seasons, there would be one large operator, the recipient of "rewards" ranging from minus £500 to plus £1,500, and a number of hired workers—nine presumably—receiving steady wages. The implications of this aspect of the size of farming units are important from the point of view of society, and do not always receive consideration. Incidentally, this factor may help to explain the depression on the large arable farms in the eastern portion of Great Britain.

Further, it is a well known fact that good and bad years do not alternate. Instead, a boom lasting several seasons may be followed by a depression of similar length. The ten small operators may have been able to weather without reserves, by a process of "belt-tightening," a long series of seasons each bringing in £100. The large-scale farmer who has replaced them will require considerable reserves, or extended credit, to face recurring losses at the rate of £500 per annum.

The logical thing for this large-scale operator to do is to invest outside his business some of the profits which accrue in the "good" years against times of depression. "Outside the business" because it is only thus that his reserves will be available when farming is doing badly. An extra farm, stocked in a boom, is worse than useless at a time when farms bring in minus £500 a year to their operators.

The habit of "outside investment" seems, therefore, to be a more or less essential corollary of systems of agriculture whose financial results show great fluctuations, and, as has been pointed out, it is, other things being equal, on large farms where this is most to be expected. Where the small-scale farmer can, if he chooses, save up in "good" years to extend his farming operations, the large farmer invests, or it would seem ought to invest, outside agriculture. There is a good deal of evidence that this practice is followed in the Edinburgh area, by farmers of the type under discussion.

THE FARM OPERATOR

Such a farmer becomes familiar with non-agricultural channels of investment, and, because of this, he a man of considerable capital, may come to regard his farming as an investment. If other investments, of a type whose risks seem to him to be comparable with those attending agriculture, yield him 7 per cent, and show 8 per cent or 9 per cent "on earnings," then he may think, and with some justification, that his farming is doing badly if it does not return him 7, 8, or 9 per cent, according to whether he judges his investments by "yield" or "earnings."

Further, if he is a tenant, this farmer can, should he choose to do so, transfer his capital into channels other than agriculture, although the mobility of this capital is restricted if the operator's labour is not transferable also. Unlike many other forms of activity, tenant farming does not require large quantities of fixed

plant. Much of the tenants' stock is converted into money in a short time in the ordinary course of events—when it reaches the marketing stage. This consideration applies even to breeding stocks if the time allowed is lengthened. To interpret the profits accruing from large-scale tenant farming, where outside investment is familiar, on the same lines as those adopted with family farmers, unfamiliar with, or even antagonistic to, non-agricultural investment, or with owner-occupiers, much of whose capital is fixed and immobile, is plainly absurd.

Mobility, or "transferability," is, it would seem, a fundamental consideration in the interpretation of farming profitability. The owner of land, the landlord in a tenancy system, or the owner-occupier, owns property which cannot be transferred readily to other industries if farming pays badly. He has to be content with what he can get out of the business he is in. The small operator, commonly unfamiliar with outside investment, may be in the same position. The large-scale tenant farmer, may, if times remain bad, demonstrate that his capital is free to move by actually moving it elsewhere.

The question of whether the farm operator's labour is transferable is, of course, equally important in influencing his decision to stay in agriculture or move out of it. Capital and labour, here, are often tied together, in the sense that the same mind guides their direction. The man whose capital and labour are both mobile is, plainly, free to move. The owner of a holding which has proved unprofitable may, if only his labour is mobile, abandon what he had thought to be his capital, and move elsewhere. The vacant farms in the eastern United States bear witness to this fact. Similarly, the large-scale tenant farmer, with considerable capital, may, if he fails to make farming pay to his satisfaction, transfer his mobile capital away from agriculture, even though he cannot find, readily, another sphere for his labour. The only man completely immobile is he whose labour is not transferable, and who has no considerable amount of mobile capital.

Some information is being collected in the Edinburgh area regarding the mobility of farm labour. It seems evident that the children of large-scale farm operators commonly get a good education, remaining at school until old enough to choose a life-work for themselves. Further, capital is available to finance any training necessary, or to purchase equipment. Farm born boys may

have an agricultural bias in making their choice of occupation, but inquiries have revealed no lack of instances of farmers' sons moving into industry, into trade, or the professions. "Younger sons" may have gone, even when farming was fairly prosperous, because the large capital required to farm in the locality was not available. Others went because they thought farming prospects looked black, or because they preferred some other occupation. For whatever reasons they moved, a sufficient number of them have gone to demonstrate that movement was not difficult. Possibly it may be less easy for town-bred boys to enter agriculture than for farmers' sons to leave the industry, but again, instances of such movement are not uncommon. It would seem safe, therefore, to postulate comparatively free mobility *between successive generations*.

Even within a single generation, the possibilities of movement may be very considerably higher with large than with small farm operators. On large farms, managerial skill tends to assume more importance than does technical knowledge as a factor of success. Such skill is not without value in other occupations where acquaintance with the technique of ploughing or milking would be no qualification. Farmers possessing it in a well-developed form can be expected to be more mobile than their fellows with no such advantages.

THE PAID WORKER

Hitherto the position of the farm operator only has been dealt with. Farming on a large scale, as defined here, postulates hired workers without capital of their own. In the Edinburgh area this class is numerically by far the most important. In the United States this is not the case, and Americans, accordingly, can be expected to be less interested.

In brief, it may be said that the more important considerations governing mobility between one generation and another seem to be:

First, the proximity of other employment. Evidently, if it is possible for the children of poorly paid workers to live at home, although employed in some occupation other than that followed by their parents, mobility will be comparatively free. Near towns this is, of course, always possible. The more industrial plants are spread over the countryside, the better will be the position regarding labour transference between agriculture and other indus-

tries. Modern electrical developments, and better rural transport, are obvious improvements.

Another factor is the cost of training and maintenance. Evidently, as most economists who have given thought to this matter have noticed, the better paid the parents, the more easy it will be for their children to enter occupations whose training and equipment are expensive.

Into the question of the transferability, within a single generation, of workers whose only asset is their toil, all kinds of considerations enter. A single example will illustrate their type. In our generation the practical disappearance of the horse from city transport has removed one alternative occupation with which farm workers were familiar. If agriculture were to come to depend on motors, the old position would be restored. On such matters, common-sense and a little thought, tells us a great deal, but only patient investigation will reveal, and keep up-to-date, the facts.