



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
THIRD INTERNATIONAL CONFERENCE
OF
AGRICULTURAL ECONOMISTS

HELD AT
BAD EILSEN
GERMANY
26 AUGUST TO 2 SEPTEMBER 1934

LONDON
OXFORD UNIVERSITY PRESS
HUMPHREY MILFORD
1935

4 cards
 Germany, Agriculture
 Depression, Agriculture, Germany
 Agricultural policy, Germany

MEASURES FOR COMBATING THE AGRICULTURAL CRISIS IN GERMANY

C. VON DIETZE

University of Berlin

AT the Second Meeting of the International Conference of Agricultural Economists in Cornell University, I had the honour of reporting on the German agricultural situation. I tried to illustrate the situation by some figures which—although possibly not quite exact in detail—nevertheless gave a reliable picture of the whole development and the economic perplexities of the post-War period.

To-day I will try to continue by giving you new and more up-to-date figures, which in the meantime have been improved and supplemented by the Statistisches Reichsamts (see Table 1, p. 61). I have also put before you a summary of the excess of German imports over exports of agricultural products (see Table 2, p. 62). These figures show:

1. German agriculture has never had again anything approaching such favourable results as before 1914, although production actually reached the pre-War level again in 1928 and since then has exceeded it, which fact is not expressed specially in this table. The year 1928-9, however, showed a considerable improvement, but this was followed by a new and sharp fall of income, the consequences of which could no longer be temporarily compensated for by credits.

2. The excess of imports over exports of agricultural products was above the pre-War level until 1929. Since then net imports have sunk to about one-third in value and roughly to two-thirds in quantity. In the case of grain for bread, self-sufficiency was realized already in 1931, and in the case of all cereals, in 1933, for the first time in two generations. In the case of meat also the need for imports almost totally disappeared, and in the case of butter, eggs, fruit, and vegetables it decreased. Only in the case of oranges, bananas, &c., and of the very important oil-fruits and oil-seeds the imports remained, with a large fall in prices, roughly at the level of 1928-9, and amounted, therefore, approximately to double the figures for 1913.

These facts explain to a large extent the direction and the methods of combating the crisis and of the German policy for the control of markets and prices on which I am to speak to-day, particularly for the period up to the middle of 1933, that is, up to the coming into office

TABLE I. *Receipts and Expenditure of German Agriculture*

(In 1,000 mill. M. or RM.)

	1912/14	1924/25	1925/26	1926/27	1927/28	1928/29	1929/30	1930/31	1931/32	1932/33
<i>Receipts:</i>										
Proceeds from sales:										
Crop products	2,792	2,814	2,766	3,124	3,409	3,540	3,352	2,954	2,734	2,534
Animal products	5,111	4,486	5,074	5,136	5,691	6,420	6,278	5,446	4,366	3,766
Total	7,903	7,300	7,840	8,260	9,100	9,960	9,630	8,400	7,100	6,300
Increased borrowing	300	800	900	930	1,052	754	399	187
Total receipts	8,203	8,100	8,740	9,190	10,152	10,714	10,029	8,587	7,100	6,300
<i>Expenditure:</i>										
Buildings, machinery, feeding-stuffs, &c. .	3,505	3,524	3,605	4,434	4,961	4,720	4,287	3,452	3,007	2,799
Taxes	200	797	804	735	785	783	804	714	612	546
Debt services	600	425	610	625	785	920	950	950	1,005	795
Rent	400	400	400	400	400	400	400	350	300	250
Cash wages	1,275	1,469	1,617	1,799	1,925	2,054	2,151	2,048	1,713	1,506
Total expenditure	5,980	6,615	7,036	7,993	8,856	8,877	8,592	7,514	6,637	5,896
Excess of receipts over expenditure . . .	2,455	1,485	1,704	1,197	1,296	1,837	1,437	1,073	463	404
Excess of receipts (minus borrowing) over expenditure	2,155	685	804	267	244	1,083	1,038	886	463	404
Net (money) income from Agriculture (including cash wages	3,430	2,154	2,421	2,066	2,169	3,137	3,189	2,934	2,176	1,910

Note. The post-war accounts are mainly based on the calculations of the Reich Statistical Bureau, published in *Wirtschaft und Statistik* (14th Year, No. 16). For 1932-3 the provisional estimates have been used.

TABLE 2. *Net Imports of the Principal Food Products and Feeding Stuffs*
(For the years 1911-13, 1925-7, and from 1928 to 1933)

	1911/13		1925/27		1928		1929		1930		1931		1932		1933	
	1,000 tons	Mill. M.	1,000 tons	Mill. RM.	1,000 tons	Mill. RM.	1,000 tons	Mill. RM.	1,000 tons	Mill. RM.	1,000 tons	Mill. RM.	1,000 tons	Mill. RM.	1,000 tons	Mill. RM.
<i>A. Food products:</i>																
1. Bread grains including flour and milling offals	1,214	180	2,155	623	2,565	496	1,649	308	880	195	473	79	1,027	121	101	30
2. Meat, bacon, and meat products	55	62	226	248	148	162	129	150	98	111	55	52	57	40	48	34
3. Lard and tallow	152	150	146	197	128	147	126	148	104	112	104	87	138	80	106	52
4. Butter	55	124	101	356	127	435	135	460	133	376	100	220	69	107	59	84
5. Cheese	22	33	69	122	60	101	64	103	60	86	51	59	47	40	39	32
6. Eggs	163	182	149	261	178	293	168	280	160	228	143	170	143	128	84	79
7. Vegetables	283	47	418	106	492	135	502	138	428	110	354	84	331	58	285	46
8. Fruit	553	126	391	159	477	216	441	204	473	195	379	157	481	121	462	112
9. Tropical fruits	289	95	396	187	496	252	499	243	638	254	554	211	517	160	561	143
<i>B. Feeding stuffs:</i>																
1. Barley, oats, maize, millets	4,365	553	2,901	495	3,048	586	2,032	364	1,737	250	1,311	123	1,334	111	432	26
2. Oil-cakes, bran and similar feeding stuffs	2,429	279	494	66	769	114	602	94	414	43	392	41	799	76	507	46
<i>C. Oil-fruits and oil-seeds</i>																
	1,470	461	1,718	628	2,459	847	2,586	857	2,311	644	2,411	435	2,387	319	2,286	268

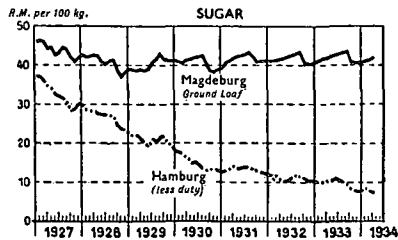
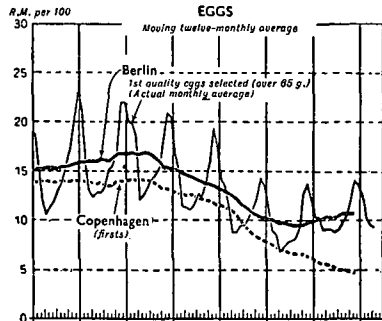
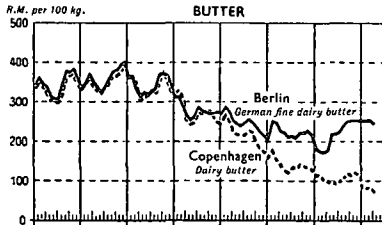
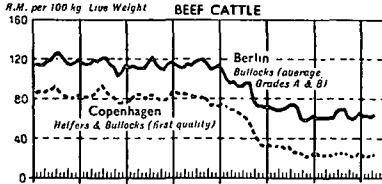
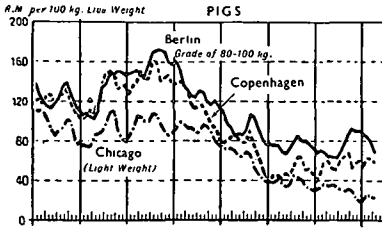
of the present Minister of Agriculture. The price movements of the most important agricultural products can be seen on the graphs (see p. 64).

In 1926 the unilateral most-favoured-nation clause, which was forced upon the German Reich at Versailles, and which had never previously been imposed on a civilized nation, came to an end. A certain freedom of action in trade policy was thereby regained. As the other consequences of the Treaty of Versailles, particularly the impossibility of fulfilling the dictated payments, were veiled in these years of boundless optimism by credits of unexpected amounts, there was up to 1928 a pronounced approach to the pre-War conditions, not only in the level of agricultural production and in the development of import requirements, but also in the aims and methods of trade and price policy. The attitude of political groups and parties also corresponded to the customary conditions; the re-introduction of a policy of protective tariffs, with the most-favoured-nation clause and moderate tariffs fixed by agreements, aimed at those conditions which prevailed in the time of Chancellor von Bülow. It was supported in Parliament by the Parties of the Right and the Centre, and opposed by the free-trade Left.

The effects of this agricultural protection have been undermined from two sides since 1929: on the world markets prices fell by more than a half, and at home purchasing power dwindled down with the increasing industrial crisis and unemployment, especially as the annual increase in population was less than half the pre-War figures. The effects on the position of the rural population could no longer be temporarily covered by credit. Thus the view became generally prevalent that the state was called upon to interfere with the level of prices by new methods.

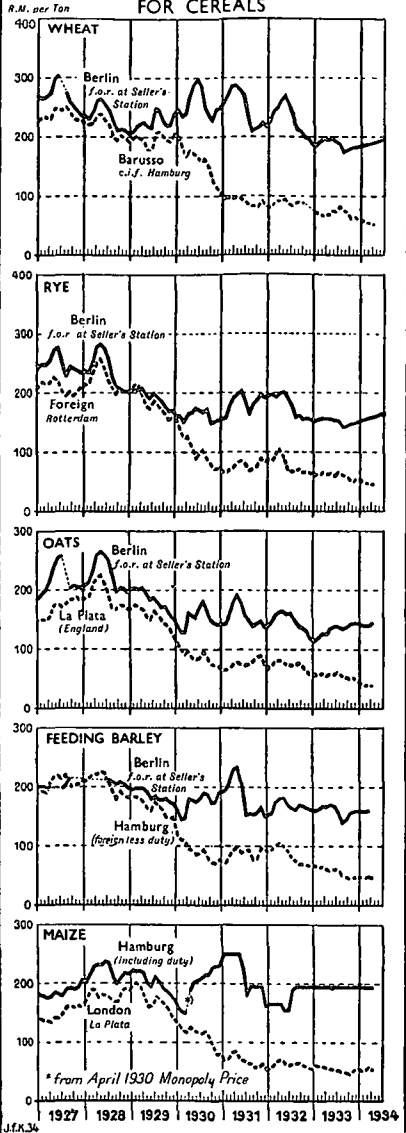
The decisive laws which brought about a complete rupture in foreign trade policy at the end of 1929, and which began the separation of German agricultural prices from the world-market prices were supported even by the Social Democrats, then in power. The measures of the next two years were also tolerated by them in a more or less veiled way. No political party and no government could possibly have refused these measures for an energetic combating of the crisis by means of an extensive price policy, especially in the situation of the German Reich. Its economic life had been faced with impossible claims, and one could not allow large parts of the nation to be ruined in order to prove this impossibility. The statesmen whose country remained exposed to continuous disappointments and vexations from abroad were unable to obtain at

HOME AND WORLD MARKET PRICES FOR ANIMAL PRODUCTS AND SUGAR



J.F.K.34

HOME AND WORLD MARKET PRICES FOR CEREALS



J.F.K.34

home the authority necessary for refusing to fulfil the demands of the masses, even if those demands would mean state interventions to an extent which seemed rather dangerous to themselves, at least if judged from economic opinions hitherto fostered. Above all considerations of economic expediency stood the urgent task of maintaining or renewing the political and social connexions, the foundation of every economic system, for a nation so deeply irritated by continual humiliations.

The endeavours of economic policy aimed predominantly at maintaining the prices of agricultural products, in spite of the changed position, at a level which would secure for agriculture, or restore it to, a paying basis or better, which would give the farmer a possibility of existence. For this purpose minimum prices for grain and pigs were officially fixed with a conscious divergence from the trends of the world market. In order to achieve this and, at the same time, to adjust the relation of the prices of agricultural products to those of industrial products to the pre-War level, the existing tariffs were cancelled, the duties were made movable up to an almost insurmountable level, and their management was finally put entirely into the hands of the Government. The effects of the duties were strengthened considerably by the compulsion to use home products, especially grain and spirit, and also by fixing quotas for butter imports.

It became increasingly urgent to bring home production and home demand into harmony. In this respect, an increase in demand was sought predominantly through compulsory utilization. Regulation of production followed but slowly, and the beginnings of regulation were restricted chiefly to recommending to the farmer a precise observation and better understanding of the conditions of the market, rational book-keeping, and consequently a suitable adaptation to changes in prices.

The desired price-level was reached most completely in the case of wheat, where the conditions for the effectiveness of the duties were still favourable as a consequence of the high import requirements. They were made still more favourable through the compulsory milling of a certain percentage of home grain, which measure was introduced in the middle of 1929 and was later considerably strengthened.

There were export surpluses of rye after every more favourable harvest. Their sale by means of import certificates became increasingly difficult with the collapse of prices on the world market. The effects of an export arrangement with Poland were nullified by the particularly pressing exports of Russia at the time of the first Five-

Years Plan. In 1929-31 we resorted in certain cases to comprehensive measures for keeping up prices at home through purchasing by the state. But, every time, a temporary improvement was followed by a new fall in prices. The attempt which was made by a law of 1930 to use larger quantities of rye in bread was without success, and was given up again in the following year. Thus, an increased use of rye for feed remained the most effective solution. In order to promote this, barley and oats were raised in price through incorporation in the system of sliding scale duties. We resorted to an import monopoly for maize in order to avoid the current treaty-obligations. At the same time people in the north-west who fattened pigs were encouraged to take feeding-rye by being permitted to import equal quantities of foreign barley at low duties.

These methods could of course only be successful as long as there existed a lasting need for imports of corn for pigs. They kept up the German prices for rye in the years 1929-32 to such an extent that they were finally twice as high as the world market price. There appeared, however, an extraordinarily wide gap between them and the prices of wheat.

As a result, a large increase in the cultivation of wheat at the expense of rye occurred, precisely because the results of the rye policy fell short of the goal aimed at.

The state intervention extended further to potatoes, turnips, cabbages, and animal products. In the case of pigs, the same methods were employed as for grain. Duties were raised considerably for all other kinds of live stock and for meat, and the preferential treatment adopted for the import of frozen meat, which had arisen out of consideration for the poorer sections of the consumers, also disappeared. In spite of that, the prices of beef-cattle fell between 1929 and 1932 from 127 per cent. to 66 per cent. of the pre-War level. The home demand was almost fully satisfied, and the usual consumption of meat could only be maintained at greatly reduced prices. The case of butter was similar, where also the increase of duties and the quotas, which were introduced in 1932, was able to prevent a drop to the level of the world market, but could not prevent home prices from being halved. The quotas for butter imports remained the most important result of the demand of the agricultural representatives, which was very hotly disputed in 1932, to make this method in future the essential plank of agricultural protection and to reject tariff agreements, and the most-favoured-nation clause. The development of the prices of a number of important agricultural products may be seen in the graph on p. 64.

The endeavours, which have been outlined, to secure a planned regulation of agricultural production were mostly based on the view that one could transfer the successes gained through cartels in industry to the various branches of agriculture. This basis is most clearly seen in the case of sugar. Already at the end of 1928, under the pressure of competition from the cane-sugar countries, a prohibitive raising of the duty took place. This, however, was made dependent on the observance of maximum prices at home. Following the Chadbourne Agreement, quotas were placed on sugar production in 1931, and the cultivation of beet was thus indirectly regulated for five years. In this case of sugar the regulation concerned a distinct industry consisting of little more than 200 factories. The conditions for the application of the cartel policy were thus exceptionally favourable.

The plans, however, aiming at the compulsory cartelization with the regulation of production did not stop there. They found their most important expression in the Reich Milk Law of 1930. Clause 38, which came into force the following year, was particularly of lasting importance. It made possible the compulsory union of producers of fresh milk and of those using milk for the production of other agricultural commodities. The associations which were thus created had the right to form 'milk districts' and to fix milk prices. Up to the end of 1932 these regulations had been complied with to the fullest extent in Württemberg and Baden.

The Reich Milk Law also provided for an improvement and standardization of the quality of milk and milk products. Numerous administrative measures were taken in order to achieve this gradually. At the end of 1930, 'general regulations for the improvement of market conditions for German agricultural products' were issued. They formed the basis on which, in 1932, the market grades for eggs, grain, and potatoes were determined.

The measures which had been taken up to the beginning of 1933 by the Ministers of Agriculture, Dietrich, Schiele, and von Braun, had not been based on a uniform plan. Even if they used plans built up according to coherent principles, they only used parts of them. They endeavoured to meet the most burning needs of the moment with measures which it was possible to achieve at the moment, and which could be carried through Parliament. This policy consisted of typical emergency measures, of a system of remedies in which a uniform trait could only be seen in one respect, namely, the increasing influence of the state in prices and in economic life. The desired recovery in economic conditions was not brought about, and could

not be brought about by the measures of a single state. Nevertheless the producing capacity of German agriculture was saved from catastrophic destruction and was even in a state of continuous increase, thanks to the energetic efforts of all sections of the rural population. But these honest endeavours were not accompanied by economic success. The peasants were hit especially hard by the low prices

- of animal products, and the pressing problem of indebtedness was unsolved.

On January 30, 1933, the National Government under the Chancellorship of Hitler was formed with Hugenberg as Minister of Agriculture and of Economy. The policy which it pursued was described very impressively in the Reichstag-Speech of the Chancellor in the following manner. 'The German peasants must under all circumstances be saved. . . . The restoring of agriculture to a paying basis may be hard for the consumer. . . . Only if our agriculture is put on a remunerative basis, which must be done under all circumstances, is it possible to solve the question of protection against forced sales, or of the elimination of debts.'

Through the new regulation of the national fat industry and trade the last big gap which the measures taken against the crisis during the previous years had left was now closed. Objections were raised to the considerable import of oil-fruits and oil-seeds which still remained completely free, and to the food fats and fodder produced from them. In this regard the way which at the end of 1932 had nearly been reached was not pursued any farther, namely, to prescribe, as in the Netherlands, a fairly large addition of butter in the production of margarine. On the contrary, quotas, comprehensively planned, were placed on the production of margarine, and at the same time a consumption-tax was imposed. Out of the receipts of this tax, certificates for purchase at reduced prices were given to persons with small incomes, which section ultimately included one-third of the total population. The duties on margarine and artificial fats were multiplied several times. In support of this policy the import of lard and bacon was also made much more expensive. Additional quotas were granted for the extensive use of skimmed milk in the production of margarine. The prices of oil-cakes were considerably raised by including them in the already existing maize-monopoly.

The policy concerned with the regulation of fat prices was designed to influence all the various branches of agricultural production. The desired increase in the consumption of butter was intended as a support for the milk trade. At the same time, however, the marketing possibilities for pigs were to be increased and, finally,

the increase in the price of oil-cakes which to some extent had previously taken the place of feeding-grain was also viewed as a valuable means of maintaining grain prices. The final aim was to decrease the dependence on foreign countries, which now existed to any large extent only in the case of fat, where it amounted to approximately two-thirds, including the imported feeding stuffs. One could count on a lasting success if the very promising beginnings of an extension of home production of protein feeding-stuffs, which had been made possible through an improvement in pasture and new breeding, would justify expectations.

The work of the first National-Socialist Minister of Agriculture, R. Walther Darré, has clearly dominated German agricultural policy since the middle of 1933. He has taken over and supplemented, e.g. in the case of fat, the measures for agricultural protection which had been created by his predecessors.

A larger and more reliable supply of cheap household margarine was secured by September 1933. By prescribing that neutral lard, home-produced, must be used in the production of margarine, the advance in the use of domestic products was still further promoted. Some weeks ago, cartelization of the margarine industry completed the organization.

The beginning, already mentioned, of a planned regulation of the milk supply was supplemented and completed in a very short period. In the summer of 1933 the administrative powers for its operation were transferred from the Länder to the Reich. Thus many hindrances disappeared. The milk trade especially was linked together in organizations. Now, under uniform leadership, supplies and prices are tightly regulated throughout the whole Reich.

Darré's policy, however, was by no means exhausted with the continuation of the policy which had previously been followed; still less is the adapting of foreign measures, which can be observed here and there, essential to it. Furthermore, Darré has not derived his measures merely from the general outlook of National Socialism, or its programme pronouncements. They show roots of their own beyond that.

Let me first of all describe shortly the impressive structure of market and price regulation which has been built up in one year; I shall later develop the basic principles which have determined its outline and content.

The fairly uniform system of market regulation for the most important products has led to the building up of four central associations: for milk, eggs, beef-cattle, and grain. In addition, several

special branches of the food industries have been brought together in associations, e.g. the producers of fruit and vegetable preserves, the fish industry, and the margarine industry.

The central associations have their head-quarters in Berlin and have powers for the whole Reich. Associations affiliated to them cover every area, fifteen in the case of milk, and nineteen in the case of grain. The milk and beef-cattle associations have in their turn a great number of local branches.

These organizations are compulsory cartels. The scope of the membership is widest in the case of grain. The producers, millers, middlemen, and bakers belong to this association. In the milk association, producers, dairies, and milk-dealers are also brought together. The associations for the disposal of eggs and beef-cattle, on the other hand, do not include the producers but chiefly the merchants and the co-operative societies, though the producers of beef-cattle have to comply with the regulations of the marketing associations.

The whole organization is run on the principle of leadership and discipline. The responsible persons are not elected but nominated by the presidents of the superior bodies in agreement with the 'Reichsnährstand' (i.e. the corporate organization of agriculture). They are all under the supervision of the Minister of Agriculture. Discipline and high penalties secure the observance of uniform administration. No upsetting of the plans by outsiders is tolerated.

In the case of potatoes, vegetables, and fruit, special organizations of the type just described have been constructed only for the processing industries. These, however, use only a very small portion of what is grown. For the rest, special associations for market regulation have not yet been built up. The Reichsnährstand, however, has the power to regulate the grading, loading, delivery, and storing and to fix prices and price margins. It has placed this task in the hands of a special Reichs-Commissioner.

A special kind of state management which supplements and completes the activities of the central associations consists in the regulation that commodities can only be brought to market with the sanction of a special government body. Such a procedure was first introduced through the Maize Law of March 26, 1930. It laid down that foreign and home maize must be offered to the government maize office for sale. In this way the price of maize was raised to a level fixed by the government. In March 1933 oil-yielding fruits and seeds, oil-cakes, oils, and fats, were included in the scheme. At the end of 1933 the system was extended to butter, cheese, and eggs, and was planned for beef-cattle in March 1934.

The procedure is such that the responsible government body to which the products have to be offered for sale issues a certificate of acceptance which gives the right to proceed with the sale of the commodity at home.

The forcing of the goods which are imported from abroad through a government body makes possible a control of the imports in quality and price, and therewith a regulation and—if necessary—a limitation of the imports, corresponding to the requirements of the German market. The fixing of the buying and selling prices lies with the Minister of Agriculture. He brings the sale price of the foreign commodities into line with the home prices.

But the commodities produced at home are also drawn into the system of these certificates of acceptance, for a discriminating treatment is impossible owing to the trade agreements. Thus the government bodies can obtain an exact knowledge of the home production and employ this in a consciously directed market policy. The government bodies have the right to refuse to accept a commodity and thereby to exclude it from the market, and they can also prescribe that a commodity may only be sold in certain areas.

Thus the marketing channels and the fixing of prices for all the important agricultural products are now regulated on a planned basis. The Reichsnährstand has throughout a decisive voice in the execution of all these regulations. A few remarks on its nature and structure are therefore required.

The Reichsnährstand as the legally recognized representative of the entire group of agricultural occupations has incorporated or replaced the numerous associations of German farmers which, with quite diverse aims, were formed in the second half of the nineteenth century; for example, the Reichslandbund, which were formed for influencing economic policy but which also pursued cultural aims; the Landwirtschaftskammern, formerly the representative farming bodies; the co-operative societies with economic and educational aims; and the Deutsche Landwirtschaftsgesellschaft, which renders a great service to technical development. The Reichsnährstand further includes the distributive trades, both wholesale and retail, in agricultural products, and all those engaged in the conversion of agricultural products. Its leadership is in the hands of the Reichsbauernführer (the Reich-Peasant-Leader), who is nominated by the Chancellor. The Reichsnährstand is under state supervision exercised by the Minister of Agriculture. Darré unites in himself the offices of Minister of Agriculture and of Reichsbauernführer. The sub-divisions of the Reichsnährstand reach down to the smallest administrative districts.

The important law of September 13, 1933, is the foundation of the planning of the market, which has been sketched above. This is already expressed in its title, which reads 'Law on the preliminary construction of the Reichsnährstand and on measures for the market and price regulation of agricultural products'.

The powers given to the Minister of Agriculture in this Reichsnährstand law are for the most part similar to those which were given to the Reich-Minister of Industry and Commerce by the law on compulsory cartelization (August 15, 1933) outside agriculture. In both cases there appears the clause, repeated in every by-law, according to which no compensation for losses due to the new regulations can be claimed from the Reich. In fact, the Reichsnährstand has quite correctly been called a compulsory syndicate for the whole of agriculture. For there is a great similarity with those associations which are well-known in industry, and which we are accustomed to call cartels or syndicates. A common starting-point can also be noted. In heavy industry cartels came into being as 'children of depression'. As long as the factories constructed with such a large expenditure of capital were left to themselves, each was inclined to cope with an unfavourable development of prices not by reducing production but rather, whenever possible, by an extension of production in order to save the invested capital in spite of temporary losses. Agriculture, and especially the peasant who runs a farm with the help of his family only, is also led to try to compensate for the collapse of prices, which does not limit itself to isolated branches of his production, by increasing the quantity produced. In his case, it is true, this takes place not so much out of consideration for the capital invested, as out of attachment to the native soil, and the necessity of supporting the members of his family.

The similarity between the Reichsnährstand and industrial syndicates has, however, definite limits. The administration is incomparably more difficult, because there are millions of farms with a variety of products dependent on the weather and because farmers have had little practice in the common solution of their market problems. The system organized by the Reichsnährstand, therefore, purposely does not prescribe precisely the extent and direction of production. It limits itself to the fixing of prices, although, at the same time, only those quantities are taken from the producers which can be disposed of at these prices, and which correspond, as it is expressed, 'to the economic requirements of the country'.

But above all, the Reichsnährstand does not have the task of squeezing out the most favourable price for agricultural products. It

is not its object to represent the interests of a group of producers. It has rather the task of bringing about an arrangement which will serve the common good. Its work is therefore not to secure high prices but to fix just prices.

The Reichsnährstand binds by its market regulation all agricultural producers. Its chief task, however, lies in its service to the peasantry, whose legal position is secured through the law of hereditary peasant-holdings (Reichserbhofgesetz) of September 29, 1933. According to Darré's words, the agricultural community cannot and should not take part in the game of price speculation; it must not be exposed to the dangers associated with it. Being the source of pure blood and the maintenance of the German people, the peasant is to be firmly rooted in his soil with the help of a law worthy of German peasants, and he is to receive just wages for his work, i.e. adequate and just prices.

In the demand for just prices the efforts of the best fighters and thinkers since antiquity come to life again. Since the earliest times, efforts have never been wholly dormant, so that even in the days of liberalism, justice has been the central aim of social ethics and financial theory. In economic theory, it was not stressed to anything like the same extent since Adam Smith as in the medieval schools, because it was believed that justice would be achieved through a price arrived at in free competition without any special intervention of the state. But the renewed emphasis on justice is not merely a repetition of thoughts and measures of earlier days. The market policy of the towns, and later of the princes, in the Middle Ages and in the time of mercantilism, did not usually include agricultural products, but was limited in the main to fixing the manufacturing costs of bakers, butchers, and brewers.

There is also no doubt to-day that justice cannot be directed by the efforts and costs of every individual producer. It is true equalization charges which will counteract the particular advantages of certain places are provided for, in the case of milk for example. But the gradation of grain prices is very clearly related to the differences in the favourable position of the market, which have arisen under the régime of free prices. It does not occur to any one to pay the cultivator of poorer soil a higher price on account of his greater exertion. That would not be compatible with the common good, and it is exactly in accordance with the National-Socialist idea that the content of justice must be determined by the common good.

Precisely from this starting point, one should not expect that the just price can be calculated in figures. The possibility of determining

the just price mathematically was already denied in the discussion of former centuries. But it remained as a fundamental demand: *justum pretium licet Deo soli notum*.

The agricultural price and market policy in the new Germany has a socialist character in two respects.

1. The peasant is divorced from capitalism. His products are withdrawn from the free play of prices, so that the peasant mentality, the feeling of responsibility for the race, people, and native soil do not become disintegrated through the calculating thoughts of the trader. Thus it follows that in future no peasant can lose his holding merely through lack of economic success, and be driven out by the court-bailiff. The decision as to who may or may not produce as a peasant is taken out of the hands of the creditor, and put into the hand of the peasantry as a group under the supervision and co-operation of the state. The peasant has to leave his farm only where he is found guilty of conduct unworthy of a true peasant. It is true that this follows only for the owners of hereditary holdings, while the larger and smaller farmers, although they are subject to the price policy of the Reichsnährstand, still live under the old laws of property and inheritance, and are only temporarily protected against eviction.

2. But in addition to this peasant and anti-capitalist character, the price policy outlined deserves to be called socialist in a further sense. It endeavours to make secure the *Societas*, cohesion in the life of the nation and the state and consequently also in the economic life. As long as people had implicit faith in the working of the free play of forces a special policy of this kind could be dispensed with or kept within narrow bounds. But this faith has disappeared; not, as it is often declared, because the liberal system was bound to break down economically, but—what is much more serious—because its moral preconditions were wanting. This decay goes back to the time before 1914; otherwise the Great War and the method of its conclusion would have been unthinkable. No matter what an economic system, left to itself, can achieve materially, if it is felt to be a source of injustice, if the moral shortcomings of its representatives provide continual nourishment for such a view, then it is bound to destroy all political and social unity, and a dreadful chaos is imminent.

This danger has become especially menacing for Germany since the War for the reasons which have already been given above. National Socialism and the policy of the Reichsnährstand are clearly and powerfully concerned with overcoming it.

One does not expect a moral basis to be created or brought into

life again with the continued existence of a liberal economic order. Thus the measures which have been taken are based on a certain belief; they are designed to help the education of the people to a new economic outlook as well as to ensure the confidence of members of the community. This is shown, for example, in the fixing of grain prices for the harvest of 1934, which is not very good. There is scarcely any rise of prices compared with those for the record harvest of the previous year, because it was resolved that bread should not be made more expensive for the consumers. The peasant, on the other hand, has to fulfil his duty as a soldier in the fight to maintain the nation even if the monetary return is not always up to expectations.

The general will to create stable prices is very strong, especially to give the farmer an assured income and a reliable guide for the planning of his production. It is clear that in this way the income of the producers will not remain the same from year to year with varying harvests. But one expects a balancing out on the average of good and bad harvests. For not only are temporary fluctuations of prices caused by speculation to be eliminated, but also the differences which arise from changes in supply and demand, from one working year to another.

It still remains open how far the new regulation is to be extended beyond the sphere of agriculture. The government of the Reich declared, when it issued the law of the Reichsnährstand, that this was a special regulation which corresponded to the peculiar position of agriculture and especially of the peasantry and that it was not intended to transfer it to other branches of economic life. On the other hand, important persons in the Reichsnährstand have expressed views from which one would conclude that the price policy followed here is the real National-Socialist one and that its gradual extension to other spheres is thus to be expected. In any case, the policy of the Reichsnährstand recognizes clearly the limits to the possibilities of state interference. This is obvious from the fact that it avoids direct intervention in agricultural production. The Minister of Agriculture has pointed out that the ability and the will of the individual to produce should not be hindered in any way. Thus, the economic raising of the peasantry, which is demanded in the programme, is regarded as obtainable only if an adequate degree of freedom remains for the endeavours and work of the individual within the framework of the state regulation.

The economic success which is expected to reach and exceed the achievements of the free play of forces, and which is also indispensable

for the maintenance of confidence, cannot be assessed yet as there is only one year of experience.

It cannot yet be calculated how high the costs of the new organizations will be. They will be well worth while, if the forces put into them are able to fulfil completely the tremendous tasks, if they work together without friction, if they are models of ability, knowledge, and character, which is, indeed, what the Reichsnährstand is demanding of its instruments.

It is of course a matter of supreme importance that the aims of the new socialism should be psychologically and economically capable of fulfilment.

Marketing organizations, the models of which have developed in America and Denmark, must if necessary be adapted to the conditions of an intimate relation between town and country in order to avoid unnecessary expenses. The necessity of using many products which cannot be sold at the fixed prices on one's own farm should not make production more expensive. What is earned from a stable price and saleable quantities has to guarantee an adequate income. Fluctuations in the income arising from fluctuations in the quantity of marketable products must be balanced by a suitable organization of credit, especially as its previous basis has been altered through the abolition of forced sales of the peasant holding and its implements. Rural families, especially those with a large number of children, should be allowed to increase their income, if necessary for the maintenance of their children, without getting into conflict with fixed regulations. Indeed, the rigidity of the regulations should not go so far as to hinder the recovery from the depression and the beginning of an upward trend.

But the moral attitude of every person engaged in production has also to be changed and ennobled if the success of the new policy is to be guaranteed. Socialism cannot work beneficially with men who are guided only by personal interests or even only by consideration for their family. They would only exert themselves for the sake of profit or under pressure of debt and would always be thinking of the best way to get around the provisions laid down. The tasks of education are therefore the presupposition of all socialism and every planned economy. Men cannot be led to willing co-operation through external regulation and the threat of punishment. They must co-operate from their innermost being. The reviving of noble traditions and national enthusiasm can do much. But human hearts can be changed only by a power which is spiritual. How far this is possible cannot be shown by science.

The economic accomplishment of every nation, and especially of one which has to live on a small and not very productive area, needs to be strengthened by an international division of labour. The Reich-Peasant-Leader has expressively emphasized that the German peasants can understand the peasantry of other nations. He praised the new agricultural legislation precisely because it alone made possible an economic understanding with our neighbours and thereby with the ensuring of peace in Europe. High moral tasks are thereby set to the whole world. Otherwise the confidence which is also necessary for economic recovery cannot return. What the political leadership of the Reich thinks on this subject is put very strikingly in the important speech of the deputy of the Leader on July 8, 1934, in Königsberg, when he said: 'Unemployment with its social misery'—and we can add: the depth and duration of the internal agricultural crisis—is caused above all by too small an exchange of goods between nations, which is always hindered by lack of confidence. Just as little as the War, and the continuation of the War by other means under the name of "peace", benefited the civilization and the well-being of the nations, just as much, on the other hand, will a true peace benefit every one.'