



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.*

**INTERNATIONAL
JOURNAL OF
AGRARIAN AFFAIRS**

Vol. I, No. 1, October 1939

The Problem of Surplus Agricultural Population



Price 3s. 6d. net

OXFORD UNIVERSITY PRESS

LONDON: HUMPHREY MILFORD

By J. E. LATTIMER

Dr. J. E. Lattimer, Professor of Agricultural Economics at Macdonald College, Canada, stresses the effects of policies of restriction on trade and on movements of population between countries.

SURPLUS rural population was not a subject of special discussion at the Fifth International Conference of Agricultural Economists held at Macdonald College, Quebec, last August, but references were made to the question on many occasions by speakers from various countries. The fact that this was so indicates the widespread interest in the matter and its real significance in any discussion of rural-urban economic questions and relationships.

In these days of intense nationalism, it may seem out of place to expound an international point of view on such a question. But surplus rural population is merely a phase of a broader issue. If the conditions that led to the emigration of more than thirty million people from Europe to North America alone, and a proportionate movement to other new-world countries, during the eighty years preceding the World War had continued to this time, it is unlikely that we would, to-day, be confronted with surplus population and the question of economic nationalism with which it is associated.

The development of nations since the discovery of the Americas and other new-world countries has been characterized by two general trends in the shifting of population. The first is represented in the migration of peoples from one country to another—mainly from Europe to the newer countries; the second by the movement of population from rural to urban centres. In point of time the two movements have overlapped to some extent. The first is the result of a combination of territorial and industrial expansion. The second springs from the application of scientific achievement to the art and practice of farming. This in turn is associated with industrial development.

It will be suggested in this discussion that industrial expansion represented in national policies to effect a balanced economy in the newer countries has materially affected the volume of international trade and likewise the movement of population. Industrial development in the newer countries led in turn to reduced purchases from the older countries, particularly those of Europe. The latter, thus limited in the marketing of the products of their factories and similarly restricted in the disposal of many 'services' formerly accepted

by overseas customers, were compelled to reduce their purchases of food products and raw materials; encouragement of agriculture was a natural result. The new-world countries, thus deprived of market outlets abroad, began to feel the impact on domestic agriculture and in turn on domestic industry.

The combination of these developments has led to our present 'population problem'.

The alternative to a balanced national economy in countries like Canada was the continuation of the pastoral and raw-material-producing economy that characterized the introductory period of growth in these newer lands. The continuation of such a development would have satisfied most completely the views of those who believe in the theory of comparative advantage, but no nation has chosen to adhere exclusively to such a policy, and it is difficult to see how countries like the United States and Canada could have done so. Richly endowed with coal, oil, water-power, minerals, and other basic materials for the development of urban industries, it was to be expected that policies would be pursued that would encourage such industries. Opinions may differ as to the merits of particular policies adopted, but there will be more or less general agreement on the point that something more than the pioneer economy of the settlement period was necessary. It is well, however, that the significance of such a development and its effect on present-day conditions be appreciated.

There are many in Canada and elsewhere who see the unfavourable conditions of recent years only as an outgrowth of the World War and post-War period. They point to the fact that international trade continued to increase year by year, and that for some years prior to 1914 favourable economic conditions existed. Such a view fails, however, to take into account the fact that signs were not lacking in 1914 of unfavourable conditions ahead. Outlets for increasing population and expanding industrial production were already subjects of discussion in European capitals. Friction in the field of international relations is now considered by many to have been traceable to increasing restrictions in the economic field. Despite an actual increase in trade from year to year, the disparity between such increase and the volume of domestic trade in the newer countries indicated very clearly the existence of an extensive development in which the industrialists of older countries equipped

to participate were limited in their operations. The reasons for this condition may be illustrated by reference to developments in the United States and Canada.

During the latter part of the nineteenth century, in both of these countries, national policies reflected the demands of the people that industrial development be encouraged; new and increased tariffs on imported manufactured products were the means to the desired end. A trend away from an agricultural and raw-material-producing economy, already in evidence, was thus greatly stimulated and the foundation laid for far-reaching effects on immigration and international trade. In the United States the ratio of duties to total dutiable imports was increased from an average of 23.99 per cent. for the period 1851-60 to 47.61 per cent. for the period 1866-70, and with the exception of a few years during and following the World War has ranged between 40 and 59 per cent. ever since.¹ The ratio of duties collected to total imports has, however, declined as the competitive advantage thus enjoyed, and the rapid increase in the domestic market, enabled manufacturers to meet foreign competition unaided. The net effect has been that the volume of domestic manufactures which in 1869 totalled 3,386 million dollars was increased to 45,760 million dollars in 1935, and imports of merchandise, which during the period 1866-70 averaged 22 per cent. of the domestic manufactures of 1869, were reduced to less than 4 per cent. in 1935. The *per-capita* imports have shown little or no increase during the past half-century except during the World War and the period 1920-30, notwithstanding the phenomenal increase in consumer purchases.

In Canada the most marked change in domestic policy came following the general election of 1878, when the people declared for a protective policy. With the development of this policy *ad valorem* rates of duty, which during the few years preceding 1878 had ranged between an average of 18.3 and 21.6 per cent. annually, were increased to an average of 25 to 30 per cent., where they remained with comparatively little change until the latter years of the World War and the decade following. During this latter period they were reduced to an annual average of from 20.6 to 24.9, only to be increased again to 30.1 in 1933.

¹ Statistics used in this section pertaining to the United States are from the *Statistical Abstract of the United States, 1937*; those for Canada are from the *Canada Year Book, 1938*.

In this period of 'national' development the output of manufacturing industries, which in the census year of 1871 totalled 222 million dollars, was increased to 3,002 million dollars in 1936. Meanwhile the ratio of imports to domestic manufactures declined from 38 to 18.7.

The significance of this development is suggested in the statistics revealing the origin of United States imports. Europe, which a hundred years ago contributed 65 per cent. of the total and which contributed 55 per cent. as late as 1870, has not sent more than 32 per cent. in any year since 1915. In other words, the principal effect of these protective policies has been, as might be expected, to reduce the exports of the countries equipped to export manufactured goods. They in turn have been forced to re-direct their productive efforts to the output of food products and other basic raw materials.

It is not sufficient to say that our imports, considered alone, have continued to increase. The significant thing is that they have lagged far behind the increase in our domestic purchases, and industries in other countries that were geared to meet these needs, or which could be expanded to meet them, have found themselves with restricted markets. Unemployment and surplus population were the natural result. Had there been no such policy, or, putting the matter another way, had there been a continuation of the more moderate protective policies of earlier years, the factories and skilled workmen of the old world would have found a greater outlet for their efforts and the producers of foodstuffs and other natural products in the new-world countries a larger market for their produce.

Associated with these national protective policies, illustrated by reference to Canadian and United States experience, but typical more or less of the development of other new-world countries, there has grown, gradually at first, a demand for restriction of immigration. The result is perhaps best illustrated by reference to the record of United States immigration. From 1850 to 1910 the number of immigrants admitted from Europe averaged well in excess of 4 millions during each decade, and reached a total of 8.8 millions for the period 1901-10. The next decade, which included the War period, saw the admission of 5.7 millions. From 1921 to 1930 only slightly more than 4 million entered. The Immigration Act of 1921 and subsequent amendments established quotas

which for the twelve years 1925 to 1936 would only permit of the admission of 1.9 millions. The number that actually entered the United States was only a little more than half this total.

The number of immigrant arrivals in Canada reached a peak in 1913 when 400,870 persons were admitted. During the War the movement fell off drastically, but with the close of hostilities reached a volume of 138,824 in 1920. The unfavourable economic conditions of 1921 and 1922 reduced the numbers again, but, stimulated by improved conditions in Canada from 1923 and by the activity of Canadian Immigration agents in the United States and European countries, the number who were induced to migrate to Canada reached a total of 166,783 in 1928.

The advent of the depression in 1929 'with its accompanying unemployment and unsold surplus of farm products raised the question whether it was desirable that Canada should accept immigrants in any considerable number'.¹ Therefore the Canadian Government passed an Order in Council, in 1930, restricting immigrants, except British subjects from the Mother Country or self-governing Dominions, and United States citizens coming from the United States, to two classes, namely, (a) wives and unmarried children under 18 years of age joining family heads established in Canada and in a position to look after their dependents; and (b) agriculturists with sufficient money to begin farming in Canada. In keeping with this policy the Government closed all its Information Bureaux in the United States and reduced its representation in the British Isles. Even within these restrictive clauses other limiting measures are applied, with the result that since 1931 the numbers admitted annually have not exceeded 30,000 and in most years have been less than half this total.

Immigration in the past has varied with changing economic conditions, being active in periods of prosperity and reduced in periods of depression. What effect improved economic conditions of the future may have is an interesting question. It is worthy of note, however, that industrial and labour organizations are in a stronger position to resist a modification of present restrictive policies than ever before. Agriculture, too, seems less disposed to welcome additional tillers of the soil.

As a result of this development, emigration, which for many

¹ *Canada Year Book*, 1938, p. 194.

decades relieved the congested countries of Europe of surplus population to the extent of several millions each year, has to-day all but ceased. Normal industrial development in these countries has declined, and normal surpluses of population in rural areas have been prevented from moving to urban centres.

It must, of course, be recognized that emigration to the newer countries could not continue indefinitely at the rate prevailing during the settlement and pioneer expansion period. But if restrictions had been kept at a minimum the reduction would have come about in response to normal competitive relationships and would probably have been much less drastic.

★ ★ ★ ★

The net result of the trade restrictions discussed in the foregoing section is reduced purchasing power and a lower standard of living for the masses, although certain groups may benefit, or appear to benefit, directly or indirectly. The consumption of food products has undoubtedly been affected despite the fact that on the whole the peoples of the world are probably better fed than at any time in history. The main effect, however, is expressed in reduced purchases of those products for which there is no limit to demand, other than restricted purchasing power. Whatever may be said for protective policies—and admittedly a case can be presented—it must be admitted that in the main such measures enhance prices and restrict purchasing. Large numbers of people are compelled to do without things they might otherwise have. The residents of countries favourably situated with respect to resources suffer less than others, but all are affected in some degree. Trade is restricted. Countries naturally equipped for industrial production are forced to divert their people to agricultural pursuits; those in a favourable position to produce foodstuffs find their markets restricted. Un-economic production of foodstuffs in the normally industrial countries of Europe reduces the markets for the foodstuffs of agricultural countries. Surplus farm population is the result. Un-economic production of industrial products in the latter countries reduces the markets for the industrial products of those countries peculiarly equipped to supply them, which results in urban unemployment. In both instances limitation of production and consumption results.

The restriction of international trade and the unfavourable economic conditions now existing in so many countries, as already suggested, are considered by some to be the outgrowth of the World War and immediate post-War conditions and developments. If the views expressed in this presentation are sound, it must be evident that national policies having their origin prior to the War are in the main the factors responsible, and the War and post-War developments important contributing causes. Fear of another war and the desire to become nationally self-sufficient in food products have in recent years resulted in still more restrictive measures in many countries. Nations reluctant to go further in accepting the doctrine of self-sufficiency have been induced to agree to the demands of various groups that competitive policies be adopted to meet what is considered to be economic warfare. As a result, regulations and restrictions have been pyramided upon the tariff structure.

It is appreciated that many will not agree with this explanation of the conditions responsible for unemployment or surplus population. They will contend that nations such as Canada could not have pursued any course other than that adopted (which with certain reservations is accepted) without sacrificing national development. But it is now important that we recognize the effect of such policies on world trade and on the economy of other countries. And it may well be that a modification of protective policies and immigration restrictions could be adopted with mutually beneficial results. Unless there is widespread recognition of the causes underlying present difficulties and some concerted action to alter them, more protection, more regulation, more state assistance, and a further reduction in the standard of living are inevitable. And the problem of surplus population, rural included, will be increased.

* * * *

The developments already outlined have been accompanied by important changes in the technique of production and marketing. Nowhere, perhaps, has the result been more significant than in farming. Mechanization and scientific achievement have made available greater supplies of farm products with progressively less labour. Wheat, the production of which required 57·7 man hours per acre a hundred years ago, and 8·8 hours as recently as 1896, is now produced on the open plains of the United States (and probably

of Canada) with less than 4 hours of man labour.¹ The production of milk which consumed 55 man hours per 100 gallons in 1890 now takes only 37 hours.² Few, if any, farm products are not produced to-day with substantially less labour than was required a generation ago.

These developments have released agricultural workers and have reduced the proportion of rural to urban population. The effect, in terms of displaced workers, is clearly brought out by referring to changes that have recently taken place in the harvesting of the Canadian wheat crop. An operation that used the services of from 50,000 to 75,000 seasonal employees as recently as 15 years ago now requires less than half that number, and the annual 'harvesters' excursions' that moved from 25,000 to 55,000 men from other parts of Canada to the wheat fields of the west for the harvesting period are no longer run. The introduction of 10,000 harvester-combines is the factor mainly responsible for the change.

A recent survey made in the United States indicates that by 1935 at least 300,000 fewer men were needed to till the country's crops than if only horses were used.³ Three-fourths of these men are needed to build and maintain tractors, but most of these jobs are in cities far distant from the affected farm homes and call for skill and training that few farm-workers possess. 'Tractors therefore tend to increase the ranks of the unemployed in rural districts, at least during the painful period of readjustment.' Baker estimates that in the United States the farm population remained almost stationary at 30 million during the period 1900-30 while urban population increased from 30 to 70 million and the number of persons living in places with less than 2,500 inhabitants increased from 16 to 24 million.⁴ 'The youth were leaving the farms for the villages as well as the cities. Nearly half of those who reached maturity between 1920 and 1930 apparently left the farms.' The net migration from farms during the eight years 1922-9 is estimated

¹ Hurst, W. M., and Church, L. M., *Power and Machinery in Agriculture*, Misc. Pub. no. 157, United States Department of Agriculture, 1933.

² Ashby, A. W., footnote reference in *Planning*, no. 147, 16 May 1939, a broad-sheet issued by PEP, 16 Queen Anne's Gate, London, S.W. 1, England.

³ McKibben, E. G., Iowa State College, and Griffin, R. A., Works Progress Administration, reported in *Co-operation and Markets News*, Saskatchewan Department of Agriculture, Regina.

⁴ Baker, O. E., 'Population Trends as Related to Management Factors', Seventh International Management Congress, Washington, 1938.

by Dr. Baker at 700,000 annually. The movement was reversed in 1931 and 1932, but from 1933 to 1936 (the last year reported) the net movement was again toward urban centres, although at a reduced rate.

Hurd estimates that the net rural exodus from Canadian farms during the period 1921-31 was 408,000, and that a rural surplus of 800,000 in the decade following 1931 was quite within the realm of expectation.¹ We shall have to wait for several years until the results of the 1941 census reveal the accuracy of Professor Hurd's calculations, since there are no annual estimates of population movements available in Canada, but there is considerable evidence that population is 'backing up' in rural centres to-day despite a substantial improvement in economic conditions during the years following 1932.

The quinquennial census of 1936 affords fairly conclusive proof of the argument here presented. This census covers only the prairie provinces of Canada. From 1931 to 1936 the total population of the three prairie provinces increased by 61,362. The natural increase from these three provinces from 1931 to 1935 is recorded at 168,370,² so that 107,008 must have left the area for other parts during the period.

More significant for our purpose is the urban and rural classification of the population in 1936 in this area. While the total population gained 61,362, the rural increased by 68,999, and the urban decreased by 7,637. During this period the occupied area in farms increased by 3 million acres, the improved area by 1 million, and the area in field crops by less than 200,000 acres. As far as expanding area in crops is concerned, it is clear that an expanded rural population cropped almost the same area in 1936 as in 1931. Such a condition occurs when neither jobs for surplus farm population nor markets for farm products increase. Naturally this brings to mind such important questions as the fading of the frontier on this continent, the decline in birth-rate generally in western countries, and the lessened dependence on farinaceous foods—all questions with a bearing on surplus farm population which warrant further discussion. Yet brevity prevents more than mere mention of these closely related subjects at this time.

¹ Hurd, W. B., 'Population Movements in Canada, 1921-31', *Proceedings of the Canadian Political Science Association*, 1934. ² *Canada Year Book*, 1937, p. 190.

Mechanization and the widespread adoption of the findings of science have made it possible to produce the world's food-supply with progressively less labour. The normal outlet for those released from agricultural pursuits is urban industry. It is important, therefore, that steps be taken to increase trade and thus stimulate industrial activity. It is probable that a modification of trade restrictions would achieve both results if generally accepted. Unless some such action is taken, the surplus of rural population will increase, and governments will look with favour upon plans to prevent the migration of such population to urban centres. Should such action be taken, there are some who visualize a restoration of markets for larger supplies of farm products and an expansion of the agricultural frontier in Canada and in other countries not yet fully emerged from pioneer stages of development.

Reference was made in the introduction to this section to important developments in the technique of marketing. Changes which have been widespread have generally tended towards an improvement in the reliability and quality of product. But the tendency toward organization and moderate regulation which has gone on for many years with beneficial results has in recent years taken on a new form. Encouraged by low prices and the example of state assistance in other fields, farmers in many lands have sought authority to impose what some consider drastic restrictions and regulations on the marketing of their own products. These, many contend, will bring about unduly enhanced prices and restricted consumption, not to mention other objectionable results that would ensue. If so, it is held, the ultimate result will be unfortunate and the last state worse than the first. Such a result would, of course, add to the distress of agriculture and magnify the surplus population problem.

*

*

*

*

The conditions briefly described in the foregoing sections and illustrated with references to developments in the United States and Canada are to be found in varying degrees in other countries. It has been suggested that they are the result of policies designed to promote national self-sufficiency, although not always referred to, or thought of, as such. It has been suggested also that such developments, particularly those inaugurated prior to the World

War, were to be expected in view of the resources available. The War itself and subsequent post-War developments greatly accelerated the movement already well under way.

Assuming the accuracy of the diagnosis—which may be too much to expect—what is the remedy? Is it not the reduction of trade restrictions and a lessening of the barriers that impede movements of population? And will industrialists, organized labour, and farmers accept such a solution? The attitudes of all three classes are mixed, as one would expect. Industrialists may be taken to be strongly opposed to the reduction of trade restrictions which protect their particular industry and to favour the general policy because it embraces their own interests. They are not necessarily opposed to a lessening of barriers on movements of population so long as it creates a favourable supply of labour without increasing burdens in other directions. Organized labour, on the other hand, is concerned with the pressure which an excessive labour supply exerts on workers' conditions, and is not so clearly opposed to reduction of trade barriers in so far as it lowers the cost of living and increases real wages. The attitude of farmers has hitherto been less clear. In general they have opposed high protection of industrial products, while high protection of agricultural products has meant little or nothing to the agricultural exporting countries of North America. On the question of migration restriction, it is only quite recently that the fear of having too many agricultural producers has been of the slightest significance in new countries. In addition to the varying interests of groups, attitudes obviously vary considerably according to the character of a nation's economy. Restriction on imports of agricultural products is a very different proposition in an agricultural importing country like Great Britain compared with a country which depends on agricultural exports.

Nevertheless the views expressed in the past by those who speak for the first two groups suggest that such a programme would be unpopular, to say the least. The attitude of farmers is perhaps not so well known, but it may be of interest to note that a resolution introduced at the first meeting of the Permanent Committee on Agriculture, International Labour Office, Geneva, 1938, suggesting that the existing unfavourable conditions in agriculture were due in large measure to exaggerated trade restrictions and

calling for study of the situation, was opposed by the representatives of organized agriculture and withdrawn.

It is too much to expect the complete reversal of policies long in effect, nor would such a reversal be desirable; but unless there is some conscious effort to modify existing policies to permit of some movement in the desired direction, further restrictions and a continued lowering of the standards of living seem inevitable. Unless trade can be resumed on a somewhat larger scale than has existed for some considerable time, industry will be unable to perform its normal function of absorbing the surplus rural population that science and improved technique make available.