



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.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

PROCEEDINGS

of

WESTERN FARM ECONOMICS ASSOCIATION

Eighth Annual Meeting

August 12 and 13, 1935

OREGON STATE AGRICULTURAL COLLEGE

Corvallis, Oregon

UNIVERSITY OF
MINNESOTA
LIBRARY

THE RURAL REHABILITATION PROGRAM

By Leslie S. Sorensen
Assistant Regional Director

Two questions seem to come first to the minds of most people considering the Rural Rehabilitation Program: "How can a program, increasing the number of farmers and production of farm products, be reconciled to another program under the same administration tending to limit the production of farm products?" "How can Rural Rehabilitation succeed in a loaning field where the production Credit Association, Federal Land Bank, crop loans, banks and private investors have either refused to enter or have failed to profit?"

In answer to the first question, let me say that every rehabilitation client accepted on the program in any state must abide by the regulations of any production control program in effect. There are some crops which these people may grow and market. We have this rather large group of people who are in distress because of low agricultural prices or for other reasons beyond their control. They are as much the responsibility of agriculture as the unemployed industrial worker is the responsibility of industry. In any readjustment, agriculture must assume the responsibility for this group just as industry must assume the responsibility for its unemployed.

It will not be my purpose to discuss overproduction or underconsumption. I know that you are familiar with the situation and realize that many of our rural people do not have enough to eat--to say nothing of the clothing, household equipment, and conveniences that they lack. It may be argued that the milk, butter, fruits, and vegetables needed by these families could be more economically produced on a large machine-equipped farm. Because such a high percentage of the cost of these necessities goes into labor and into the cost of transportation, it is more desirable and more economical to produce these things as near the place of consumption as possible.

In the production of table needs, farmers enjoy the equivalent of a retail market for a certain amount of their produce. Milk in bottles would cost the family about 10¢ a quart. Milk sold in cans at the same farm for bottling in the nearby city would bring about 2 $\frac{1}{2}$ ¢ a quart. May we agree that with too many farmers and with too many workers, they all would be better off if they could have the land to produce for their own needs, and a division of work so that they all might earn some cash from outside employment.

Perhaps the only argument concerns the production of surpluses for cash. I do not believe in this regard that we are justified in thinking of every rehabilitation client assisted by this program as adding a surplus to an already depressed market.

Much of the assistance in the rehabilitation program is in an adjustment of debts, in loans of longer terms and lower rates of interest, and much of the assistance will be the result of supervision and better farm management practices. Better farm management practices

The Rural Rehabilitation Program

should not be considered as always putting more products on the market.

An illustration I like to use in this regard is the comparison between the dairyman with high-producing cows and the dairyman with low-producing cows. Ten good cows will make more money for a farmer and put less butterfat on the market than 30 low-producing cows. If we are forced to consider the rehabilitation program, however, as producing greater surpluses, are we not justified in the argument that these people have a right to provide for their families with their own effort, and that adjustments are better made in production control and a limit being put on the amount an individual may produce?

There are two important factors which I believe will contribute to the success of the rehabilitation program, and which have not been employed to any great extent in other loaning programs. Before a rehabilitation loan is made, a representative of the Resettlement Administration investigates the farm and the farmer, and works out with this family for this land, a practical farm management program. The client agrees to advise with the representative of the Resettlement Administration and with the Agricultural Extension Service. The client agrees to furnish receipts for the expenditures of his rural rehabilitation loan and of his earnings. We believe that we can, with this type of supervision, improve the farm management methods and build a more sound agricultural program for these people.

Another type of supervision is that furnished the homemakers by the women of the rehabilitation staff. It is commonly accepted, and frequently proven that the percentage of the income spent for food, clothing, and the more common necessities does not increase in the same ratio as the earnings of the family. The expenditure for food, clothing, and the more common necessities is of greater importance and requires a high percentage of the total income of these rural rehabilitation people. This being true, the housewife occupies a more important position in the control of the family funds than does the housewife where the income is greater. The home advisers on the rural rehabilitation staff are assisting these housewives of the rural rehabilitation clients to do more sewing, feed their children the proper food, and avoid the troubles of malnutrition, to produce a greater amount of their requirements on the farm, and by preserving a part of it, provide a way for obtaining its full use. In short, the home advisers are carrying on a very successful type of extension work in an individual service manner.

A third reason why the rural rehabilitation loan is going to be of greater benefit than other loans have been in the past, is because the rate of interest can be lower and the amounts loaned will not be subject to the same restrictions. In many instances in

The Rural Rehabilitation Program

the past, loans of certain amounts have been made and never repaid, while an additional loan providing for working capital would have enabled the borrower to repay all. While we agree that it is desirable that a rehabilitation client, as well as any other borrower, have an equity in his property, it is more important that the loan be sufficient to provide for a working capital. To summarize, let me say that we expect the rehabilitation loan to succeed where some others have failed, because the loan will have been made for longer periods with lower rates of interest, and in sufficient amounts to provide working capital, and the farm and home practices will be supervised to insure good management.

The Resettlement Administration in its rehabilitation program is not offering a panacea for unemployment, but is trying to accept a part of the responsibility of agriculture. The relief clients or other people eligible for this assistance by virtue of threatened mortgage foreclosure or real financial distress must be actual farmers to be assisted on a commercial farm. If the applicant has not had a reasonable experience in agriculture or has not depended upon agriculture for his livelihood within the last few years, he is not allowed the assistance enabling him to become established on a commercial farm.

There is the group of part-time farmers who are being assisted with land and capital goods sufficient to provide their table needs. This group, however, must look to industry for that part-time labor which will furnish them the cash essential for their independence.

As has been brought to your attention by the other speakers, the advances made to the rehabilitation clients are not gifts, but loans and mortgages on their lands and chattels which have been and will be taken and recorded. While the families remaining on relief have continued to get their subsistence needs without work or indebtedness, the rehabilitation clients have signed notes for this assistance. The real objective of the rural rehabilitation program, and a lot of its philosophy may be expressed in a simple, short sentence. This objective is to provide the means whereby families now in distress may attain a satisfactory American standard of living and repay the loans advanced, by their own efforts. Do these people deserve this opportunity? Should they be allowed to work and to produce agricultural produce beyond their needs? Let me repeat that many of these people are in distress for reasons beyond their control. They are just as deserving of a chance to provide for their families as many of the rest of us who are more fortunate. I believe that it is simply good business to be thus employed and the benefits can be expressed, not only in dollars and cents, but in improved mental and physical health and improved citizenship.

I am afraid that many of us are not personally acquainted with a rural rehabilitation client. May I introduce my good friend, Tony. On Rural Rehabilitation records John Smith appears as a "client", and after his name are numbers to denote his identity. John Smith is one

The Rural Rehabilitation Program

of 1223 "cases" on the records now, all of whom are expected to repay the sums invested in them.

There are reports about John Smith, mechanical looking documents, but if one takes the plunge, and actually reads about him, one is apt to find that John Smith is a very human individual, and at the same time, one may learn a little bit about life. In this instance our "John Smith" can be called Tony. At the top of the report it is stated Tony has a wife and nine children.

It goes on to say Tony's wife is an invalid, was bedridden for about a year, and is still forced to use crutches; Tony is the only employable member of his family; and since the mother's illness, "The entire care of the family has devolved upon the oldest child, a girl of fifteen."

It isn't a very happy picture so far--a mother burdened with semi-invalidism, a father trying to support eleven, and a 15-year-old girl trying to take care of them all. It's a picture of poverty, unhappiness, extremities. One can understand how social maladjustments might occur.

Quite another side to the picture is found by further reading from the report: "This is a case I can heartily recommend for our cooperation.....They are thrifty, frugal and industrious; are succeeding in making a real home out of an old run-down place, and show an indomitable spirit of optimism in spite of handicaps."

Concerning the girl of 15 years, it states simply, ".... and she did a good job of it." Tony and his family are progressing splendidly. Their farm of 40 acres, which had been little more than a burden, is fast becoming a paying business. A large part of the family's economic distress was caused by the fact that they had insufficient livestock and feed. Two hundred pullets have been obtained for them, and because a building was necessary to house the pullets, reclaimed lumber was found for the building, and it was completed at a cash cost of around \$25. Five acres have been cleared and have been seeded to oats and grass for hay. An acre of betties will be put in this fall. The purchase of two cows, in addition to the four cows and three heifers, will be made when the newly seeded land comes into production. Best of all, the rehabilitation plan will be in effect within a year of the approval of the case. In other words, Tony and his family will be self-supporting and in a position to begin repayment.

Tony was picked at random from a total of 1223 John Smiths who are receiving Rural Rehabilitation assistance. More than three quarters of a million dollars have been pledged to these families for the purchase of capital goods and the providing of subsistence relief. Capital goods purchased and to be purchased in the order of

The Rural Rehabilitation Program

their importance include livestock, land, buildings, feed, land improvement, seed, tools and equipment, and miscellaneous, such as filing fees, taxes and others.

There are in the three states - Washington, Oregon and Idaho - an estimated number of about 26,000 families in the rural areas who are eligible for consideration in this program. Many of them have heard of the possibilities of assistance and are applying to us. The welfare workers are recommending others. Creditors are bringing them to our attention. A careful investigation follows by field agents, of the County Extension worker type, who are very much enthused over their jobs and anxious to be of real service to these people. A careful investigation is made, not only to avoid giving assistance where such assistance is not deserved, but to avoid further involving of these people in impossible positions. Debt adjustment is frequently a prerequisite to any other assistance. Debt adjustment may sometimes have to assume rather large proportions where a drainage or a diking district is hopelessly involved. When investigation has been completed, a careful farm and home management plan developed, and business arrangements made, the client finally gets a loan, which may be the first real money that he has seen for some time.

The Resettlement Administration has no legal responsibility on how this relief client spends his money, but the client is morally obligated to spend the money as he has planned with his supervisors. The assistance required with one man vastly differs from that required with another, and in all cases it is the aim of the Resettlement Administration to allow the client as much leeway as possible for the development of his initiative and self-reliance.

As stated before, many of these loans have already been made and many of the clients are making repayments. Tony and many others in similar circumstances are on their way to a more satisfactory American standard of living, and we think that most of them intend to repay their loans. If agriculture and industry recover to a point where farming in general can succeed, most of these clients will repay. I want to mention repayment of loans in my closing remark, because I admit that such repayment is the final gauge of the success of this program.