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INTERDEPENDENCE OF THE LOWEST THIRD IN AGRICULTURE AND INDUSTRY

By Louis H. Bean, Counselor

Radio Address, General Electric WGY Farm Forum,  
Schenectady, New York, January 24, 1941.



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The Federal Government is spending billions for national defense. Industry is expanding rapidly and more jobs are becoming available. Estimates come out of Washington that national income will be the largest on record. Farm income will go up too, but by a smaller amount than industrial income. Yet a year or two hence, there will still be many persons unemployed and poor - in the cities and on the farms. Many low-income families are likely to get left behind both during and after the defense program; and it is for these people that there should be especial concern at this time.

Let's consider what we choose to regard as the lowest third of our population in terms of their economic and social welfare. For this group in the cities numerous relief measures have been set up in recent years. These include the W.P.A., direct relief, surplus food distribution, free school lunches, and old age assistance. By comparison, little has been done to help the situation of the lowest third in agriculture. It is true that AAA payments have gone to many low income farmers and the Farm Security Administration has helped hundreds of thousands of destitute farmers but the condition of these people in the lowest third is one of the malignant growths in our civilization. At no time is it safe for a nation to allow people to fall behind in economic progress and health, to suffer from underconsumption and malnutrition, but it is even more dangerous in time of emergency.

The general advance in business and the national income will mean less to some farmers than to others; less to those farmers in the lowest third who depend on export markets. Let us assume that the national income under the stimulus of the defense program reaches a total of about ninety billion dollars in 1942 compared with seventy-five billions in 1940. Farm income would normally be expected to rise to about ten and a half billions compared with about nine billions in 1940. Ordinarily most farm groups would share in a general improvement, but as things stand to-day, with foreign markets for surplus cotton, tobacco, wheat, pork, and fruit crops down to a trickle, this prospective improvement in farm income will not be shared equally by all farm families. Those producing dairy products, meat animals, fruits, and vegetables for the domestic markets will be the chief beneficiaries. Those producing for the shrunken export markets will get relatively less. In this second group are many of the cotton and tobacco growers whose incomes are exceedingly low and who constitute a large part of the lowest third in agriculture.

In recent years the lowest third of our farms received about 12% of the total income available to all farm families. The upper third received 62% of the total. This includes income from non-farm work as well. Even if the lowest third in agriculture should get this usual 12% share of the prospective improvement in total farm income it will not materially alter their present low standard of living. For example, take a family with an annual income of \$250 or \$50 per person. An increase in income to \$75 per person, while substantial in percentage terms, would not be enough to really improve the living conditions, food habits, and health of that low income family.

Two obvious lines of thought suggest themselves. One is, why not make the low income farms more productive so that they can have a larger share of farm income derived from the domestic markets? Certainly there are millions of people in the lowest third of our city population who could eat more and better food. This would make an ideal solution. As a matter of fact the Farm Security Administration is attacking the problem of destitute farm families in that way. But on a larger scale this solution involves real complexities. For one thing, merely producing more does not necessarily mean that the lowest third in the cities who need the increased food production will have the incomes with which to buy at prices that will add to the net income of the lowest third in agriculture. In the cities and towns the lowest third of the families also have only about 11% of the total income available to all non-farm families and the highest third has 64%. Furthermore, the average per capita food consumption for the nation as a whole tends to be fairly constant, and as a larger supply of foods is offered, prices decline and stocks pile up, particularly stocks of non-perishable goods like wheat. The nation as a whole tends to change the make-up of its diet more than it changes the average per capita volume consumed. It spends practically no more for large volume of farm products than for a small volume. But it costs more to distribute a larger output. The result is that if the low income farms could become more productive, they would enter into competition with the other two-thirds of the farms and reduce the incomes or income prospects of all farm groups - unless wider markets are created. In general, even now, neither the lowest, middle, nor upper third of farm families is getting parity income.

The other suggestion for improving the earning power of low income farm families is that they move to towns and cities where they could earn more than in farming. This also makes good logic and for that reason we hope that improved industrial activity and the defense program will open up industrial training and actual job opportunities to farm people. There are already evidences that farm people with special skills are finding jobs off their farms. But we must bear in mind that there are still several millions of city people that are unemployed, that have yet to be absorbed into defense and other activities. The industrial unemployment situation needs to be more fully taken care of before we can be sure that a substantial number of surplus farm people can change from subsistence farming to non-farming opportunities.

The economic interdependence between the lowest third in agriculture and the lowest third in our towns and cities boils down to this. There is under-consumption of farm products among the poor farm and non-farm families. There is also underconsumption of industrial products among the same farm and city families. To some extent the problem is education and health. But in large part it is inadequate income. With the loss of export markets, farmers need greater consumption in the domestic market right now. In a small way this greater market is being created by the activities of the Surplus Marketing Corporation in distributing surplus foods to relief families and to school children. More of this sort of distribution is needed in view of the known conditions of underconsumption and malnutrition. But if low income farm families are to have more income for buying industrial goods, their non-farm sources of income will need to be greatly increased.

For the past several years city workers too have needed wider markets for industrial goods. This need is at present being met by the defense program, but it will come back when the peak of the defense program will have been passed, when armament production for Britain and for ourselves tapers off. At that time, for both agriculture and industry, we shall need props for sustaining purchasing power and continuity of jobs to sustain the higher levels of activity that the defense program is now creating.

In addition to the activities of the Farm Security Administration in behalf of the low income farm families, the activities of the Agricultural Adjustment Administration and other agencies in behalf of farmers producing chiefly for sale through the markets, there is particular need for extending social security legislation for farmers, farm laborers, and others not now covered. There is need for a rural works program that will provide low income farm families with supplemental employment in soil building and forestry conservation work, and in creating better rural housing facilities. Direct employment and purchasing power measures of this sort need now to be developed, if we are really to improve the lot of those whom industry must look to for greater consumption of industrial goods several years hence. And if equivalent public works and other programs for low income people in industrial areas can be developed to bring about a permanent increase in the consumption of foods and other farm products, we shall be making the social and economic needs of the lowest third in agriculture and industry into the new frontiers beyond the defense program.

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