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ON RURAL LIFE 1939**

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**GOVERNMENT ACTION CON-
CERNED WITH AGRICULTURAL
MARKETS AND PRODUCTION**

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**EUROPEAN CONFERENCE
ON RURAL LIFE**

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GOVERNMENT ACTION
CONCERNED WITH AGRICULTURAL MARKETS
AND PRODUCTION (*)

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INTRODUCTION.

The remuneration paid to agriculturists, for their labour, their purchasing power and welfare, are today all to an increasing degree matters of State concern; the State reallocates the national income as it thinks best in the interests of the community. Similarly, the conditions of *rural life* have been greatly influenced by the action taken by public authorities in regard to markets and production. This is one of the most characteristic of the new aspects of agricultural policy in recent years.

In the nineteenth century and during the Great War, Governments, it is true, had already to take action in regard to agriculture, but it was the economic depression, with the accompanying heavy decline in the prices of agricultural produce, that made such intervention more general and more complete.

The memory of the slump caused by overseas competition at the end of the nineteenth century is still fresh in every mind. Thanks to their low costs of production, agriculturists in the new countries, could sell their goods at prices much below those asked by farmers in the old European nations. European agriculture was unable to overcome this handicap either by adopting better technical methods or by trying to adapt itself to new conditions by substituting stock-breeding for corn-growing. The slump both undermined national economic systems, and threatened the equilibrium of society by intensifying the flight from the land.

In the hope of regaining the ground they had lost most European countries resorted to protection as a measure of defence for their agriculture. This work of recovery was accompanied by measures for generalising the adoption of improved technical methods, for encouraging the development of co-operation and agricultural credit and for the protection of peasant property. Substantial results were achieved by this policy, and before the War broke out European agriculture had temporarily recovered its former prosperity.

During the World War, the measures taken by the public authorities assumed a different form. War needs compelled Governments to exercise control over the whole range of national economy in an attempt to adapt a constantly diminishing supply to a growing demand for goods; the manufacture, importation and distribution of raw materials and the consumption of goods were all strictly supervised and regulated.

These war-time measures proved an instructive experience. They showed that the traditional limits of departmental influence in economic affairs could be overstepped. They proved that industry and commerce could be taken in hand by the State and that there was no valid reason why similar measures should not be applied to agriculture, if need be. Did not government control over the

trade in agricultural produce point to a day when the direct or indirect control of agricultural production itself would be contemplated?

After the war, most of the economic restrictions were withdrawn, but people still remembered the great difficulties which had been overcome with the help of the authorities.

The economic depression led to fresh intervention by the authorities. Agriculture is now subject to increasingly stricter regulation, which it seems to require more than the other branches of economic life. To what is this inferiority due?

While the depression caused a general fall in prices, this fall was more marked in the case of agricultural than in that of manufactured products. The purchasing-power of agriculturists thus declined much more than that of purchasers in other economic categories: industrial outlets for industrial goods contracted and the decline in economic activity generally became very marked.

This disparity between industrial and agricultural prices may be due to the immense differences between agriculture and industry. In industry, supply adjusts itself fairly quickly to demand, partly because certain industries work only to order and partly because the concentration of undertakings and agreements between manufacturers enable the volume of production to be regulated more easily, but chiefly because a factory can temporarily close down or work at reduced pressure. The smaller demand therefore results in a decreased output, and not in higher prices. This does not apply to agriculture. Moreover, whereas the demand for agricultural products and especially for those which are primary necessities is very rigid, supply is affected by atmospheric conditions which cause great fluctuations in the harvest from one year to another. On the one hand, there is a more or less constant demand, and on the other, a supply which varies independently of it; this situation was made still more critical by the steady increase in supply due to the constant rise in production. This is why the fall in the prices of agricultural produce was so much more marked than in the case of manufactured goods.

The serious feature of this fall in prices is that the agriculturist finds it difficult to cheapen his costs of production. The return from his undertaking diminishes while his expenses remain more or less constant; the agriculturist thus finds himself caught in a dilemma.

The disparity between industrial and agricultural prices thus affects the distribution of the national income: the balance between the purchasing capacities of the urban and rural classes respectively is upset. The authorities then have to intervene to restore this balance which is a condition of national prosperity.

Though the economic depression accounts for the measures taken by public authorities in connection with agriculture, each country has apparently pursued different objects and adopted its own methods. Can a general survey be made of the agricultural policies adopted in the countries of Europe? Is there not a danger of merely piling up details which will emphasise the ever more marked particularity of each individual nation?

A survey of that kind would be useless if such were to be the result; if, on the other hand, it brought to light certain features and consequences common

to all, it would be possible to think in terms of general solutions for European problems.

Our survey deals only with the countries of Europe, apart from the Union of Soviet Socialist Republics. However, agricultural policy undoubtedly presents striking analogies all over the world, both as regards the technical aspects of the measures adopted and the causes and effects of such measures. We have, in general, avoided facile comparisons, in order to secure a more accurate report.

Before indicating the common features of this new policy and its effects on European agriculture, some attention must be given to the technical operation of the action taken by public authorities.

PART I.

TECHNICAL SURVEY OF GOVERNMENT ACTION.

Widely as they differ, the numerous forms of State intervention may be classified under a few simple headings, such as protection, cheapening of costs of production, organisation of markets, organisation of agriculture. This classification has the double advantage of offering a graduated picture of the extent of Government intervention and of indicating what might be called its historical progress, from the agricultural protection of the nineteenth century up to State control of agriculture in countries with a totalitarian system of government.

1. — Agricultural Protection.

In order to help agriculturists hit by the fall in the prices of their produce, the public authorities first resorted to the traditional method of protection. In importing countries the erection of tariff barriers appeared to offer a simple and effective means of satisfying the claims of home producers. Thus, the short-lived phase of liberalism, which reached its zenith with the International Economic Conference held at Geneva in 1927, was followed by a period in which most countries displayed a tendency to economic isolation.

The methods adopted up to 1930 to protect national market proved inadequate, however; the extent of the depression demanded a new technique in commercial policy. The aim of this new technique is not much to compensate the inferiority from which home production suffers, but to restrict imports and encourage exports; as such it has led to a policy of regulated trade. To achieve this end, public authorities have taken action either directly on imported goods, or indirectly on the movements of capital and foreign exchange.

I. — *Direct Measures.*

In addition to the traditional manipulation of customs duties Governments have introduced the quota system and State control or monopoly of foreign trade:—

(a) *Customs duties.* — A glance at the comparative table of customs duties on wheat at three different periods will show to what extent barriers have been raised against the free circulation of agricultural produce.

It should be noted that former free-trade countries have imposed relatively high protective duties, as in the case of the United Kingdom, which sharply accelerated its progress towards a system of restrictions.

Increases in customs duties or the imposition of new duties have been accompanied by profound changes in the commercial policy of most countries, which have tried to recover or have recovered their tariff independence. The most-favoured-nation clause has been abandoned or its application restricted.

Customs Duties on Wheat.

(Gold francs — Swiss francs (s) — per quintal).

Country	1926	1932	1936
Austria	0.26	10.50	16.80
Belgium	0.00	(*) 0.00	(*) 1.04
United Kingdom	0.00	0.00	0.70
Czecho-Slovakia	1.93	(*) 8.45	(*) 9.60
Denmark	0.00	0.00	(*) 0.31
France	2.68	16.24	16.24
Germany	4.32	(†) 13.81	(*) 4.32
Italy	7.50	19.65	(*) 18.40
Ireland	0.00	0.00	(*) 0.74
Netherlands	0.00	0.00	(*) 4.17
Norway	(*) 0.00	(*) 0.00	(*) 0.00
Sweden	5.14	(*) 3.62	(*) 2.90
Switzerland	(*) 0.60	(*) 0.60	(*) 0.60
United States	5.71	8.00	4.72

(†) Imports on which these import duties are payable are subject to special conditions. — (*) All imports are subject to a special form of control (quota, licences, monopolies, etc.).

(s) 1 Swiss franc = 0.2903226 grammes of fine gold.

Treaties based on it have been replaced by constantly renewed bilateral agreements, of which most countries conclude a large number every year; some countries have signed more than twenty in a single year.

Countries with foreign dependencies have imposed preferential tariffs to foster trade within their empire; in this connection the Ottawa Conference of 1932 and the French Colonial Conference of 1936 mark a stage in the development of the economic and commercial policy of the two great colonial powers.

(b) *Import quotas.* — Still more characteristic of the present-day trend has been the widespread introduction of the quota system, which is tantamount to a partial ban on imports. This system is considered by Governments to have various advantages over customs duties: it is more effective and more elastic, it has not such wide or at least such apparent effects on domestic prices and it allows countries bound by commercial treaties to apply restrictions without violating contractual tariffs. For these reasons, quotas seem to offer the best defensive weapon in a period of economic disorder.

(c) *State monopoly of foreign trade.* — Quotas can function, however, only if import licences are issued by the authorities, who are thus forced to exercise more or less direct control over commerce. Moreover, even before the quota is allotted it has to be fixed, and this can be done only by taking account of the supply of and demand for the various goods on the market. As will be seen below, the control of agricultural markets tends to be carried out in each country and for each product by public departments or services possessing more or less complete financial autonomy; these are unable to play a useful part

unless foreign trade is suitably regulated. For a number of reasons therefore, the State has an incentive to establish a monopoly of foreign trade, at least for the more important agricultural products.

2. — *Indirect Measures.*

All the measures enumerated above are intended chiefly to limit imports; thus, agriculturists have ready to hand a weapon which protects them against foreign competition. Indirect measures on the other hand achieve the same result, though they have a different purpose.

Thus restrictions on exports of capital or foreign exchange reduce imports, restricting the supply of means of payment for imports and by preventing the foreign exporter from bringing home the receipts from his sales. Apart from the formalities which hinder commercial transactions between one country and another under such conditions, the sum total of possible imports is limited by that of authorised transfers. If the measures of control are intended to protect the currency, they generally result in transfers being limited to the total claims receivable abroad, by the establishment of a clearing-house for foreign exchange, or to the institution of a regular clearing system, based either on quantities or values through an office which authorises imports only up to the quantity which the importer himself or a third party can offset by exporting an equivalent amount.

For some years past, new grounds for imposing such restrictions on foreign trade have been added to the old; several countries have adopted a policy of self-sufficiency and have as far as possible restricted imports of agricultural products, while encouraging home production (1).

Lastly, there are numerous other indirect ways of limiting imports, such as the obligation for goods to bear marks of origin and veterinary and phytopathological prohibitions.

II. — Reduction of Costs of Production.

During the last few years, government action in the sphere of production has had for its chief aim to assist farmers financially by reducing overhead farming charges. This measure has in fact enabled them to re-establish their position which had been shaken by the economic depression. The improvement of agricultural technique has only played a secondary rôle in the lowering of production costs.

This essential feature of agricultural policy is clearly revealed by an examination of the various forms of government action designed to bring down cost prices either through the improvement of the conditions of production, or through aid to farmers.

The first type of action is described in various special reports to which the reader of this brief survey is referred.

(1) See section IV below.

I. — *Improvement of the Conditions of Production.*

Improvements in rural equipment, whether on a national or on a regional scale, constitute one of the normal tasks of the public authorities. Improved rural equipment, *apart from leading to better standards of rural health*, brings about a direct increase in farmers' incomes by rendering their work easier and less costly. Too much stress cannot be laid on the importance of land re-allocation schemes and the construction of roads to facilitate farming operations. Electricity will provide farmers both with an additional source of power and with a supply of light which lengthens the working day and lessens seasonal variations. The economic rôle of water-supply systems is equally important in many districts. Where farmers are compelled to cover long distances in order to water their cattle or to obtain supplies for domestic purposes, time is wasted, additional fatigue is involved, and accordingly, from a strictly economic standpoint, costs of production rise.

Similarly, the spread of agricultural training will encourage farmers to employ modern scientific technique, which will enable them to secure higher yields.

All such action may be regarded as part of the traditional functions of public authorities; and although the credits earmarked for such purposes to-day are larger than formerly, the aims have remained unchanged. On the contrary, it is only during the last few years that public authorities have taken direct action in the field of production with a view to bringing about an increase in the gross national yield. In order to avoid any confusion, we would explain that, although some increase in the gross revenue will ensue from the putting under cultivation of new land of lesser fertility, at the same time production costs will generally rise, in accordance with the law of diminishing returns. Where, on the contrary, the increase in the gross revenue results from improved yields secured by the more rational application of agricultural technique to land already under cultivation, the cost of production per unit of quantity produced will fall in most cases.

For example, *land reclamation schemes* can in many cases only be carried out behind high tariff walls protecting national production and compensating for higher costs.

Campaigns for higher productivity, by stimulating farming activity in many different ways, make it possible to harvest larger crops without entailing any appreciable increase in production costs. One of the most characteristic examples is furnished by the Italian "wheat battle". That campaign, initiated in 1925, is intended not to increase the area under wheat but to bring about "a higher unit yield by more and more intensive cultivation". By using selected seed, suitable fertilisers and regular methods of cultivation, the average production for the last five years has been brought to a much higher level than in the preceding period, while the zeal of farmers has been stimulated through competitions for which substantial prizes are offered. The general opinion is that national production, in years when weather conditions are favourable, is now sufficient to meet the needs of consumers.

Similar measures were adopted in October 1931, to stimulate the production of olive oil, which still falls far short of the demand. Premiums are granted to farmers for new plantations or for improvement made to existing plantations by the scientific pruning of olive-trees, proper methods of cultivation and measures for the prevention of disease.

2. — *Aid to Farmers.*

A reduction of the cost of production was, however, obtained chiefly by lowering overhead farming expenses. The discrepancy between agricultural and industrial prices had upset the equilibrium between the farmer's income and his expenditure: there was no equivalent decline in overhead charges to compensate for the diminished gross return; hence profits had become inadequate and had often disappeared altogether.

In those circumstances, the Governments of almost all European countries enacted measures for the compulsory reduction of farming costs to enable farmers to weather the economic depression. Their efforts were concentrated mainly on peasant undertakings, since the smaller farmers did not possess sufficient reserves to allow them to wait for better times. The small farmer, whether he owns or leases his land, is the backbone of an agricultural community. This feature of recent agricultural policy sharply emphasises the importance of the social factor in connection with problems of European agriculture.

Governmental assistance to farmers can be classified under three headings: reduction of fixed overhead charges, lowering of the cost of farm equipment, and subsidies.

a) *Reduction of fixed overhead charges.* — The first endeavour of Governments was to bring about a reduction in fixed overhead charges such as debts, taxes and rent. A number of detailed surveys of agricultural indebtedness have been made (*). Especially in Central and Eastern Europe, the economic depression came as a severe shock to farmers who had contracted substantial debts, either to increase their working capital in view of the steady development of agricultural production, or to re-equip their farms after the world war, or again to meet expropriation payments resulting from agrarian reform. The fall in the prices paid for agricultural products made it impossible for them to meet liabilities which constituted a heavy burden even in more prosperous periods.

There were few European countries in which the authorities did not come to the assistance of farmer debtors. We cannot here examine in detail the various solutions applied by Governments to the debt problem, but we can, firstly, classify the various types of government action, and, secondly, give a typical example which will enable the technique of such action to be understood.

Government action can be divided into three main categories. The first consists of radical measures designed to give farmers direct relief from the bur-

(*) See particularly: *Monthly Bulletin of Agricultural Economics and Sociology* 1937. G. COSTANZO: "Agricultural Indebtedness".

den of their debts by means of the forced conversion of their liabilities and even, in some cases, of the reduction of the capital owing. The second category is also composed of measures of direct intervention, but of a character less harsh upon creditors, such as the repayment of loans by instalments, the suspension of measures of distraint against debtors, the institution of a special procedure to bring about direct agreement between debtors and creditors, the assumption by the Government of part of the debt service the fixing of minimum prices for the sale of expropriated property, etc. The third category includes measures designed to assist debtors mainly by indirect means, such as measures of agricultural policy which do not alter the terms of the contracts between debtors and creditors.

Action falling within the third category is clearly to be preferred to other forms, because it leaves the fundamental principles of credit intact and allows financial institutions to pursue their activities in a normal manner, to the greater advantage of agriculture. Many countries resorted to all three types of action, either in turn or simultaneously. Among these, an outstanding example is furnished by Romania, a country which has now solved the problem of indebtedness although, before the public authorities intervened, it had become particularly acute.

The position of Romanian agriculture in recent years has been influenced both by the repercussion of agrarian reform and by the effects of the economic depression. Agrarian reform, which affected more than 30 per cent. of the total area of the country, led—at any rate during the period of adjustment—to a lower yield per hectare and to higher costs of production. Moreover, the economic depression, limited the outlets open to Romanian agricultural production and brought about a very appreciable reduction in farmers' incomes. The result was a substantial increase in agricultural indebtedness.

The various Governments which have been in office since the depression have devoted special attention to easing the position of debtors; four separate laws were passed with this object between 1932 and 1934. The Liberal Government responsible for the last of those laws made it a part of a large-scale programme of agricultural reconstruction. It considered that the reduction of the amount of indebtedness alone would not suffice to ensure regular repayment of debts in the future; a policy of organised production was required in order to increase farmers' incomes and to enable them to meet their liabilities. Accordingly the programme includes, apart from a measure reducing interest rates with the agreement of State-assisted banks, from 7 per cent. to 5 per cent., a number of measures designed to stimulate Romanian agriculture.

In the special sphere of liquidation of agricultural indebtedness, the law is based on the following principles: (1) The debtor should be placed in a position in which the voluntary discharge of his liabilities becomes possible, thus avoiding the need for distraint or for the spreading of repayment over such a long period as to involve hardship for the creditors. (2) The law should be applied quickly and automatically, to eliminate the risk of disputes likely to negative its good effects, and in order that normal relations may rapidly be restored as

between creditors and debtors. (3) The losses entailed by the new law should be fairly divided among creditors.

The law does everything possible to safeguard the interests of creditors. A creditor who is not prepared to accept a reduction in the amount of his claim has merely to make a formal statement to that effect; his claim will then stand unchanged, but he will be bound to grant the debtor a ten-year moratorium, which may be prolonged for a further five years, interest being limited to 1 per cent. chargeable on the original capital only; he may also be obliged to accept the expropriation of his claim under the terms of the law concerning expropriation carried out in the public interest. If, on the other hand, the creditor agrees to a 50 per cent. reduction in the amount of his claim, the balance is repayable in six-monthly instalments spread over seventeen years and bearing interest at 3 per cent. To encourage debtors to repay their debts in a shorter time, the law offers them very substantial advantages: *e. g.* those who repay their debts within two years obtain a total reduction amounting to 70 per cent.

Debtors whose means were insufficient to enable them to meet their liabilities could obtain the funds they required from the Agricultural Mortgage Credit Bank, and thus to secure the maximum reduction laid down in the law.

The above legislation on the reduction and spreading-over of agricultural indebtedness has reacted favourably on the economic position of Romanian farmers. It is estimated that 70 per cent. of the debtors benefited or are now benefiting from the advantages provided by the law; being thus relieved of much of their debt burdens, they have effected in a satisfactory manner the initial payments due under the new system.

Further instances are unnecessary. Similar steps were taken in all countries, but the most vigorous measures were adopted in Eastern European countries; in the west, the public authorities left the contracts binding debtors to their creditors untouched.

Although the budgets of most countries have been heavily encumbered by the economic depression and by rearmament expenditure relief has nevertheless been granted to farmers, in the form either of reductions in taxes, or of exemptions in respect of certain categories of tax or tax-payers, or again of facilities for payment. In Hungary, farmers have, since 1933, been allowed to pay up arrears of tax in kind, while for several years the Government itself paid the land tax levied on small farmers whose income from land fell below a stipulated figure, out of a special fund derived from a tax on cereals. In Poland, in addition to granting facilities for the payment of arrears of tax, the authorities accorded a number of exemptions, *e. g.*, in respect of the livestock necessary for the normal operations of the farm. In Germany, the law of September 21, 1933, reduced the yearly total of the agricultural land tax by 100 million RM.

In several countries, farm leases have been compulsorily revised so that the loss consequent upon the drop in agricultural prices might be shared between the farmer and his landlord. In France a Decree-law adopted in 1935 reduced all rural rents by 10 per cent. — although we must note that that measure formed part of a general policy of deflation. In Czechoslovakia, with the object

of preventing crop failures from bearing too harshly on a community already seriously affected by the depression, various concessions were made to farmers as regards payment of rent in districts which had suffered from drought (Decrees of December 22, 1934, and March 8, 1935).

We can, indeed, trace an increasing tendency to link together the amount of rent payable and the fluctuating prices of the main agricultural products.

(b) *Lowering of the cost of farm equipment.* — In order to help farmers and to restore the equilibrium between agricultural and industrial prices which had been destroyed by the depression, Governments have endeavoured to arrest the increase in the cost of farm equipment, while being much more ready to tolerate a rise in the prices of agricultural products. Measures against increases in the cost of farm equipment took the form either of the fixing of prices by the authorities, or of the grant of subsidies to farmers, which had the effect of reducing the purchase price by that amount. In the United Kingdom, under the *Land Fertility Scheme* which came into force in September 1937, farmers can obtain a subsidy amounting to 50 per cent. of the purchase price of lime and to 25 per cent. of the price of basic slag; between September 1937 and June 1938 the Government paid £ 800,000 in respect of the purchase of 409,000 tons of basic slag by farmers and £ 340,000 in respect of the purchase of 369,000 tons of lime. In Germany, subsidies are granted for the purchase of agricultural machinery, for the creation of ploughing and threshing undertakings, for the purchase of tractors by co-operatives, etc.; the subsidy is only paid where the machinery has been inspected and passed by the Agricultural Corporation. A recent law imposes limits upon the profits of middlemen handling such machinery, and thus lowers selling prices, while an Ordinance of March 23rd, 1937, has reduced fertiliser prices by 30 per cent. (25 per cent. only in the case of potash fertilisers). In France, no increase may be made in the price of any article used in agricultural production (machinery, fertilisers, copper sulphate, etc.) without the previous authorisation either of a departmental committee or of the National Committee for the Supervision of Prices, as the case may be (Decree-Law of July 1st, 1937). In Hungary, various decrees regulate the mass-production of standardised agricultural implements and machines, to enable them to be sold more cheaply.

In conjunction with such measures we must note the reductions in transport rates which the authorities have compelled railway companies to grant in respect of agricultural produce (Poland, Romania, Hungary, etc.).

(c) *Subsidies.* — Lastly, Governments have subsidised farmers with the object of inducing them to grow the crops required to meet the national demand for certain products. The Governments of almost all countries have encouraged the cultivation of textile crops; elsewhere, not only products of secondary importance but the principal crops themselves have been included under schemes, enabling producers to sell their crops at prices low enough to compete with imported products.

In the United Kingdom, for example, the Wheat Act of 1932 assists wheat producers by means of a grant, which is not, however, a direct charge upon

the public finances. A standard price is fixed per quarter of wheat offered on the open market. The average price paid throughout the year for home-produced wheat is then calculated, and at the end of the year the producer can claim a deficiency payment equal to the difference between the standard price and the average price obtained for each quarter of wheat he has sold. The subsidy is paid out of a special Wheat Fund consisting of the proceeds of a flour levy on both home-produced and imported flour, and payable by importers or flour-millers, as the case may be. A more characteristic example is the cattle subsidy, as in this case the funds do not come from a levy on consumption but are supplied by the Treasury. Since 1934 producers receive from the cattle Fund a subsidy at given rates per head of cattle sold live or dead.

III. — Organisation of Markets.

While State action to reduce the cost of production may be regarded as the continuation of an old policy, measures taken with a view to the organisation of markets are characteristic rather of the present day. The disparity between industrial and agricultural prices was the most striking feature of the world economic depression, and it was only to be expected that Governments should endeavour, by direct or indirect measures, to restore the balance between these two branches of production.

The new policy meant on the one hand, abandoning the free play of supply and demand and, on the other the introduction of a system under which prices are fixed directly or indirectly by the authorities so that *the remuneration of agriculturists may vary according to their needs.*

The traditional organisation or the markets had, moreover, been criticised as regards its principle and its working. The Commercial Exchanges (*Bourses de Commerce*), which were responsible for maintaining a balance, in terms both of time and of place, between agricultural supply and demand, were unable to ensure the maintenance of a price level at once satisfactory from the agriculturist's point of view and within the means of the consumer. These institutions were criticised for fixing prices for the whole country, when only a small proportion of the transactions were carried on there and for causing, whether involuntarily or of set purpose price fluctuations which generally reacted unfavourably on the producers.

The part played by commerce in the organisation of the markets was also the subject of criticism. There were too many middlemen, who claimed an excessive share of the profits from sales, being anxious to cover themselves in the event of a fall consequent on violent fluctuations, and who were encouraged to speculate by the greed of wholesalers. In other words, the Commercial Exchanges as an institution were considered unsatisfactory because the prices of agricultural products appeared to be the result of purely arbitrary factors and there seemed to be an excessive disparity between the price paid to the producer and that paid by the consumer.

Price instability, while allowing the middleman to reap substantial profits, is harmful to the agriculturist (*). It prevents him from foreseeing the probable economic outcome of his undertakings, and crop rotation cannot be rationally planned unless the agriculturist knows approximately what price his successive harvests will fetch. Any violent fluctuation in price levels upsets his plans.

The old organisation of markets no longer satisfied producers, for three reasons: it had ceased to ensure them remunerative selling prices, it allowed the middleman to reap excessive profits and it was the cause of instability in price levels.

The authorities felt it incumbent on them therefore to take action with regard to the mechanism of prices, in order to remedy these grievances. Though such action is not new in itself, its wide scope and the great number of countries in which recourse was had to it may be said to be characteristic of present-day agricultural policy. Action may assume various forms: that of measures in regard to prices themselves (which are not without effect on supply and demand) or measures designed to influence supply and demand (which to a certain extent permit the regulation of prices). The authorities began in most countries with the second method, which was a less direct challenge to liberal principles and seemed an effective means of coping with the world economic depression. Gradually, the two methods came to be applied simultaneously. In order to make our survey clearer, we shall here consider in turn the action taken in regard to prices supply and demand, without reference to chronological order.

I. — Action in regard to Prices.

The simplest method of removing the disparity between industrial and agricultural prices would seem to be the fixing at a high level, by legal measures, of the prices paid for the chief agricultural products.

For this method to be feasible, there must be an approximate balance between supply and demand, since otherwise transactions may be effected above or below the price fixed. Since this condition is seldom realised, the fixing of prices must be accompanied by strict regulation with the object of controlling supply and demand. Under the liberal system, prices are a result of the interplay of supply and demand; nowadays, however, in the case of many products, the price is fixed by the authorities, directly or indirectly, after consultation or deliberation between the producers and, in some cases, between consumers and middlemen. This fixing of prices makes it possible to influence supply and demand; a high price tends to increase production and a low price to restrict it. It is clear that the whole problem consists in determining what factors shall be taken into account when fixing prices. If the selling prices for agricultural produce are too high, the cost of living will rise and the working population of

(*) See report submitted to the Fourteenth General Assembly of the International Institute of Agriculture: "The Instability of Farmers' Earnings and the Means of Stabilising Them", by M. AUGER, LARIMÉ.

the towns will protest; if they are too low, the peasants complain that their purchasing power has declined and that the welfare of the countryside is in jeopardy. The problem is therefore to *find and maintain a fair price* that shall satisfy all classes.

This concept of a fair price is a moral and social one for, we repeat, the problems with which European agriculture is confronted today are social problems.

A fair price cannot therefore be arbitrary. The basic price will no longer be the wholesale price on the Commercial Exchange, but the price at which the goods are produced or that at which the consumer can afford to buy them.

The fixing of prices by the Government can obviously be effected in a variety of ways. Instead of describing a series of isolated measures in many countries, we propose to give a few details of the most characteristic example.

For some years now Germany has possessed a complete system of price regulation. We shall describe briefly the method of fixing prices and the adaptation of the prices thus fixed to the special conditions of the market. The system which is most widespread and most rigorous in character is that of the fixed price (*Festpreis*): the official price is obligatory and may not be departed from in either sense. It may be arrived at in different ways; thus, the Minister of Agriculture fixes the price to be paid to the producer of cereals, the President of the Cereal Union the price for flour, and a special Committee the price for butter.

In many cases, only a maximum or minimum price is fixed: limitations of this kind are for the most part intended simply to correct the natural tendency of prices to rise or fall. In 1933-34, the prices of bread-making cereals were minimum prices; the following year, those of fodder cereals were maximum prices. Here, limits were imposed in one direction only. But in point of fact, nearly all maximum or minimum prices are converted into fixed prices when the organisation to which the management of the market is entrusted takes over complete control.

A more elastic system is that of the "normal price" (*Richtpreis*): the price, is left to fluctuate between two extremes, and adapts itself to market conditions. Obviously, this system can only work if applied to more or less stabilised markets, since otherwise at the first sign of tension, only one of the two limits comes into play: the "normal price", acts in practice as a maximum or minimum price.

Lastly, in certain cases—and this is symptomatic of the new price mechanism—when the fixing of prices has proved impossible, control is established over the cost of production. If the Food Corporation (*Reichsnährstand*) can prove that the margin of profit is excessive in any given case, it can demand a lowering of prices.

The price may be fixed at different stages: the price paid to the producer, or on the market, or to the transformer or retail.

There is almost always a fixed price to be paid to the producer; this is the case for cereals, potatoes and milk. The price of cattle, on the other hand, is determined on the market, though the price paid to the producer is not free,

but means a fixed relation to the market price. Most processed agricultural produce — butter, cheese, flour and sugar — have their prices fixed.

In the case of many products, prices are fixed for each phase of the successive processing; in that of wheat, for instance, there is the price paid to the producer, the purchasing price for the miller, the selling price for flour and the price paid for bread. Conditions of sale and delivery are even more rigorously fixed than prices, such regulations being clearly indispensable if the fixing of prices is not to be neutralised by adventitious factors.

Prices may be fixed in different ways, but once fixed must still be adapted to the district, the season and the quality of the product.

Local adaptation of prices is rendered necessary in view of the different conditions in different parts of the country, entailing important commercial currents, and of the principles guiding the Food Corporation. The latter aims at securing the same remuneration for all agricultural producers, by abolishing the extra margin of profit accruing to some by reason of their proximity to the centres of consumption. In principle, therefore, prices remain uniform, but they must be sufficiently differentiated to maintain the commercial currents indispensable for supplying the country as a whole. For instance, two price regions have been introduced for potatoes, eleven for rye, seventeen for wheat, etc.; in the case of perishable goods, such as milk, prices vary greatly, according to the locality.

Seasonal adaptation is rendered necessary by the essentially variable nature of agricultural production at different times of the year. In the case of vegetable products, the rhythm of production, though regular, is not continuous, and price variations follow the same rhythm. Prices are at their lowest immediately after the harvest, when supplies are abundant and rise steadily thereafter until the the next crop is about to be gathered. The fixed price is therefore graded in terms of time, to conform to this natural rhythm. The price of cereals is raised each month by a fixed, incremental amount. The prices of potatoes rise from November to May; those of new potatoes fall during the season, to a variable extent. The rhythm is less regular in the case of animal products. Production varies very considerably with drought or rainfall; prices follow market fluctuations though the Food Corporation tries to reduce these as far as possible.

Adaptation by reference to quality is essential if the better qualities are not to be driven off the market. The difficulty lies in finding a standard of quality. In the case of wheat, for example, it is the weight per hectolitre. Obviously, account cannot always be taken of quality, unless highly complicated regulations are established; the legislator's task is greatly facilitated, however, if certain commercial usages already obtain.

Not all countries have adopted regulations as complex as those of Germany. In the majority the prices of the chief products are fixed, the others being free. In France, only the price of wheat is fixed by the Government, this direct action being taken by the authorities only when the representatives of the various interests concerned have failed to agree (see below under "*Office du Blé*"). In all countries without exception, representatives of the agriculturists are consulted when prices are being fixed; the difference consists merely in the extent to which their opinions may modify the decisions of the authorities. In some

cases, the State simply authorises producers to form groups and to impose the decisions of the group on the community. The marketing schemes in the United Kingdom are a case in point; we shall have occasion to give details of this system when discussing the various official attempts to organise agriculture.

It is clear that the fixing of prices can never be effective unless it reflects the real conditions of the market. Thus in France the establishment of a minimum legal price for wheat proved a failure, because supply was greater than demand and business was done at a lower price.

Thus the State either adapts prices in terms of supply and demand or takes such action with regard to supply and demand as will enable the price legally fixed to be maintained.

2. — Action in regard to Supply.

This form of intervention is complicated by the special nature of supply and demand in the case of agricultural produce. Not only has the supply steadily increased in recent years; it varies essentially also according to atmospheric conditions. A glance at the *International Year-Book of Agricultural Statistics* will show the unstable nature of harvests from year to year. Demand, on the other hand, remains fairly constant, for food habits change slowly and years or even decades are needed before any noticeable alteration occurs.

Hence the authorities have the difficult task of endeavouring to adapt a supply liable to sudden fluctuations to a demand chiefly characterised by its lack of elasticity.

This explains the complex nature of State action in regard to supply, and also in some cases its ineffectiveness. Such measures may be divided into three categories according to whether they produce their effects after a longer or shorter lapse of time.

(a) *Measures producing immediate effects.* — Here the authorities intervene directly on the market, purchasing large quantities of produce, which they subsequently dispose of by methods other than that of sale. This form of action obviously puts a heavy burden on the public finances. In the case of coffee, it has been practised on a large scale in Brazil, but has not produced very satisfactory results (about one-quarter of the 1935 harvest was destroyed). Europe hesitates to employ such methods, since public opinion has a greater respect for the labour which the peasant devotes to producing his harvest and is shocked by the consequent destruction of wealth.

Certain European countries (France, Denmark) have not hesitated, however, to relieve the meat market by eliminating unhealthy animals, a process which has had the advantage of assisting the campaign against tuberculosis. In other countries, food has been distributed free to the unemployed. In Denmark, for instance a law was passed on October 31st, 1934, authorising the Minister of Agriculture to levy a special tax on slaughtered cattle, to form a fund enabling control to be exercised over the meat market; two million crowns were allocated for the purchase of meat for relief organisations and five million for the purchase of cattle suffering from tuberculosis. In the United Kingdom, under

the 1934 Milk Act, the Government provides £500,000 a year (increased to £750,000 a year in 1938) for milk publicity and for a scheme for supplying milk to school children at a reduced price.

(b) *Short-term measures.* — These are intended to prevent bumper harvests from flooding the market and causing prices to collapse: such measures all involve storage. They obviously depend upon whether the produce can be stored without deteriorating; this is possible in the case of cereals, which are the staple product of European agriculture.

The constitution of stocks has always been practised, by producers or by middlemen waiting for the favourable moment to sell. During the slump, however, the old organisation of markets was unable to cope with a continually increasing supply, and the authorities passed measures making storage compulsory.

The simplest method is the constitution by the State or subsidised organisations of a *safety stock* to maintain a balance between good and bad years. Stocks may also be formed by middlemen. In order to ensure the country's supplies, the Swiss Confederation maintains reserves of wheat for bread-making amounting to some 8,000,000 quintals. Mills are required to store 4,000,000 quintals for the Confederation without receiving special compensation. The quantity to be stored by each mill is fixed at the beginning of the year, and is based on the amount of wheat milled for bread-making the previous year. The Government exercises strict supervision over the execution of these regulations.

In Italy, all the wheat grown is purchased by regional organisations, which are, responsible for ensuring the country's supplies; they follow the instructions of a Central Wheat Storage Office attached to the Ministry of Agriculture.

Stocks may be formed also by the co-operative associations or by the producers. When the law makes storage compulsory, the producer is not allowed to sell a harvest which is *blocked* in his barn or storeroom, or is allowed to dispose of it only gradually, so as to avoid a fall in prices at harvest time due to hasty selling on the part of agriculturists who are in debt and in need of ready money. In both cases, the producer is entitled to a premium for storage. Most countries make provision for exemption in the case of small farmers.

The formation of stocks may also be regulated by means of appropriate variations in prices. The most recent case is that of cereals in Germany. The price of these varies every month from August to June by a fixed amount known in advance—the so-called increment. At the beginning of the season the farmer therefore knows exactly what the price will be on a given date. Producers can thus regulate their sales strictly in accordance with their need of money, their profits being greater the longer they store and the higher the increment becomes. The fixing of the increment therefore offers a very effective means of regulating the sale and storage of the harvest. If there is a surplus, the raising of the increment encourages the producer to store his produce and prevents undue pressure at the beginning of the season. If there is a deficit, the lowering of the increment encourages producers to sell sooner, thus enabling the State itself to accumulate stocks by means of which it can exercise closer

control over the sale of the harvest. With modern methods of preserving goods, not only wheat and wine, but produce formerly regarded as essentially perishable can now be stored. In the Netherlands, for example, the C. V. C. (the central office for pig marketing during periods of depression), withdrew from the market, between January 1st and April 20th, 1934, for cold storage, a total of 70,000 quintals of pork so as to prevent the flooding of the market and a consequent fall in prices; this was accompanied by a lowering of the tax, with the object of increasing home consumption.

The customs measures discussed above also have a direct effect on supply, either by allowing the importation of foreign produce or by isolating the home market.

(c) *Long-term measures.* — Short-term measures fail to offer a final solution for the problem; while they allow of prices being stabilised, in many cases only direct action in regard to production can produce, a lasting balance between supply and demand.

Experience shows that the fixing of remunerative prices or indirect State assistance has often led to an extension of the area producing the crops, thus favoured. While the requirements of crop rotation preclude sudden variations, considerable changes may take place in the course of a few years: in England and Wales for instance, the area under wheat increased from 484,281 to 700,838 hectares between 1931 and 1937. In a number of countries very drastic measures have therefore been introduced either prohibiting any increase in the production of certain crops or subjecting it to complicated formalities (issue of a licence, etc.). Supervision is exercised on the basis of the returns which producers are required to send in every year.

Certain countries have even gone so far as to encourage the destruction of the growing plant in order to check latent over-production (the vineyards in France are a case in point)

Another means of acting directly on crops consists of measures to restrict the yield. In France the irrigation of vineyards is forbidden in certain districts after July 15th year, as a precaution against a wine surplus. Laws have been introduced penalising vineyards with a large output; a tax is payable if the total vintage exceeds 100 hectolitres per hectare, with a sliding scale, according to whether the yield per hectare is greatly or only slightly in excess of that figure. Wine-growers whose vintage yields more than 2000 hectolitres have to pay a tax of so much per hectolitre. Similarly, with the object of reducing wheat production, laws were passed in 1933 and 1934 forbidding the extension of wheat-growing in excess of the normal requirements of crop rotation or the sowing of wheat in the same field for two consecutive years. It is obviously difficult to ensure that agriculturists give effect to these measures.

State action may prove more profitable to the community when its object is to reduce the quantity by improving the quality, wine again being a case in point. In France, the growing of certain vines which produce wines of indifferent quality is forbidden, and in Italy laws exist to restrict the production of wines with a low alcohol content.

3. — *Action in regard to Demand.*

The forms of State action designed to increase demand are as varied as those to reduce supply. As has already been observed, however, they come up against the characteristic low elasticity of demand.

The authorities first attempted to increase consumption by means of propaganda. This method cannot give appreciable results in the case of prime necessities such as bread, but it may produce a considerable effect in that of produce such as fruit or vegetables which are likely to appeal to an ever-growing number of consumers; in this respect, the results of the experiments in France and Italy to increase the consumption of grapes are conclusive. Such campaigns are generally accompanied by an appeal to producers to offer their goods in a standard and more attractive form.

With a view to relieving the congestion on certain markets, Governments have enforced the use of national in preference to imported produce, a measure which has the further advantage of preventing the export of foreign currency⁽¹⁾. This procedure is employed on a large scale in countries practising a policy of economic autarchy; even in those countries which have remained faithful longest to the principles of economic liberalism, the obligation exists in many cases either to incorporate certain national products with those imported from abroad or even to use none but national products for certain specific purposes. In Ireland, for example, the percentage of national wheat to be incorporated in flour rose proportionately with the increase in the production of wheat; this simple device has been employed in many countries (German, Italy, France, Greece, etc.).

Another method of influencing demand is to denature produce so as to render it unfit for human consumption, when it would naturally be suited to that purpose. Wheat, after being thus denatured, can serve only for animal consumption. It is unnecessary to point out that this process is extremely costly; it can only be used to eliminate a small marginal quantity from the market.

Similar to this device is the one which has long been employed in France to relieve the wine market. Any surplus converted into alcohol is purchased by the alcohol trade *Regie* and is used chiefly in the production of a national fuel; the *Regie* also purchases alcohol made from beetroot, molasses, cider, grain, etc. The process lays a heavy burden on the State finances, because the *Regie*, which is subsidised by the State, buys raw materials at high prices and can only sell at a low one (except in the case of alcohol for certain specific purposes). A similar system is employed in Italy in the campaign against the over-production of wine.

The more extensively home markets are flooded by excessive supplies, the keener is the desire to export and the more difficult this desire becomes to satisfy. In many countries, the Government therefore grants what are sometimes very

⁽¹⁾ See Section I.

high premiums to producers to cover the disparity between prices on the home and world markets, an outlay, which may sometimes enable them to find casual customers abroad. This is the price paid for exaggerated protectionism.

In all countries, the Governments have been favourable to the setting up of organisations to encourage agricultural exports and to supervise the quality of export goods; although only a form of indirect action by the authorities, this is none the less an essential process in the organisation of the markets, especially in countries exporting a large proportion of their agricultural produce.

The most important task before the authorities desirous of attenuating the disparity between agricultural and industrial prices was to reduce supply and increase demand. However, State action was sometimes taken in the opposite sense; reference has already been made here to measures designed to reduce the cost of production by increasing the gross product (Chapter II), and some reference must also be made to measures taken with a view to reducing the consumption of various products imported into countries whose economic policy is directed towards the achievement of autarchy.

4. — *Organisations for the co-ordination of action relating to each individual product.*

The manifold form taken by State action must not be allowed to obscure the essence of the problem, which is the organisation of markets, or in other words, the establishment of a mechanism of prices capable of guaranteeing their stability at a level which shall be remunerative to the producer and within the consumer's means.

Experience has shown that isolated action on the market has proved ineffective, either resulting in a merely temporary improvement or even on occasion leading to disaster. The necessity for co-ordinating such action was realised at about the same time in a number of countries; they came to understand that it is not sufficient to take action in regard to supply and demand but that these require to be managed or, still better, to be *canalised*. In other words, the State has to take control, on the one hand, of external commerce, and, on the other, of purchases and sales on the home market, this being an essential condition if it is to control prices and fix them at a remunerative level. There is another motive for setting up such organisations, namely, the financial aspect of the question. Action by the authorities calls for financial resources. A wine-grower cannot be compelled to uproot his vines without receiving compensation, nor can wheat be denatured unless funds are available to pay the producer the difference between the price of wheat for bread-making and that of grain for cattle; again, an agriculturist cannot be made to grow flax if the selling price is below the cost of production, unless he is paid a premium, etc. Hence, every time the State intervenes, two financial problems are involved how to find the money and how to allocate it. It is true that many of the examples given above show that the State often grants subsidies without imposing a special tax to cover the cost, in which case this must be borne by the community. More often, however, the State endeavours to make those concerned pay for the expenses involved; for instance, the storage premium paid to a wheat-grower who agrees

to keep his harvest in his barn so as not to flood the market, may be covered by the product of a tax levied on all the wheat grown in the country. The authorities are inclined then to prefer establishing a service possessing financial autonomy, in order to simplify the working of the system and also to show more clearly the burden it lays upon the State finances. An organisation of this kind has a further advantage, in that it enables financial assistance to be more rigorously supervised and precludes the possibility of fraud.

Before the establishment of the "*Office interprofessionnel du blé*" (Joint Wheat Office) in France, by the law of August 15th, 1936, the authorities had taken a series of measures, which did not however, always produce the results anticipated. The problem of how to relieve the wheat market had arisen in 1929, a year in which the harvest was in excess of national requirements; while the next two harvests were scanty, 1932 again saw a surplus, as did the two years following. Since 1929 some dozen laws and close on three hundred decrees have been passed, first with the object of relieving, and subsequently with that of organising, the wheat market.

These measures may be classified in three groups, according to whether they were intended to reduce the supply, to increase the demand or to fix a minimum price. The supply was reduced by banning imports (1932), except in the case of temporary admission, by storage, with a system of grading (which has been compulsory and permanent since 1932), by the carry-over of the surplus from one year to another (1932) and by limitation of the area under wheat (1933-1934). Attempts were made to increase the demand by reducing the charge for dressing flour (1929), by denaturing wheat and by very high export subsidies (1929). The fixing of a minimum price was effected by the law of July 10, 1933. Supply being in excess of demand, the market price was much below the legal price; the minimum price was abolished by a law of December 24, 1934. The position may be seen from the fact that a quintal of wheat, the minimum price of which had been fixed at 115 francs by the law of 1933, was worth 60 to 65 francs in July, 1935. The action taken by the authorities had therefore proved ineffective, it was both inadequate and uncoordinated.

The Office interprofessionnel du Blé⁽¹⁾, set up by the law of August 15th, 1936, regulates production, supply and demand, trade and selling prices.

In Czecho-Slovakia, Italy and France, after some years of experiment, an organisation (more or less State-controlled) has been set up to fix prices and to regulate supply and demand in respect of a given product. It is impossible to detail the working of these organisations, but the system is almost the same in every country, and, to illustrate its working, a table is attached showing in brief the functions and organisation of the *Office interprofessionnel du Blé* in France, the *Central Wheat Storage Office* in Italy and the *Czecho-Slovak Cereals Company*.

(1) "The New Wheat Policy in France". M. APCHÉ, *International Revue of Agriculture*, August 1938.

Organisation responsible for coordinating official

1 COUNTRY	2 Date of establishment	3 Nature of organisation	4 Direction	5 Advisory or deciding body
CZECHO-SLOVAK CEREALS COMPANY (CZECHO-SLOVAKIA)	July 13th 1934	Commercial joint-stock company, the distribution of whose shares as between the four groups (see column 6) is determined by the State. Relations between the State and the company fixed by contract. Dividends limited. Management under State supervision.	Chairman appointed by the Government; offices.	The <i>Board of Directors</i> which takes decisions.
CENTRAL WHEAT STORAGE OFFICE (ITALY)	June 1st 1936	Public service.	Director; official of the Ministry; offices.	The <i>Committee</i> is which a purely advisory body.
WHEAT OFFICE (FRANCE)	August 15th 1936	Public service enjoying financial autonomy and the legal status of a body corporate.	Director appointed by the Government; offices.	The <i>Central Council</i> which takes decisions and advises the Government.

action in regard to the marketing of wheat.

6 Composition of advisory or deciding body	7 Conditions governing validity of decisions of the advisory or deciding body	8 Foreign trade	9 Home trade	10 By whom the price of wheat is fixed
<p><i>Board of Directors:</i> Chairman and 20 members appointed by the General Meeting and chosen, compulsorily, from 4 groups of occupational and co-operative organisations: agriculturists consumers dealers processors.</p>		<p>The Company effects all transactions with foreign countries, but cannot import without special authority from the Government.</p>	<p>Controlled. The Company buys all cereals at the price fixed and subsequently re-sells them.</p>	<p>By the Company or, in the event of disagreement, by the Government.</p>
<p><i>Committee:</i> 9 representatives of the producers workers and dealers concerned. 7 officials 1 representative of the Fascist Party 1 representative of the cereals Corporation.</p>	<p>Opinions are tendered by a majority vote.</p>	<p>All imported wheat must pass through the district storage organisations (<i>ammassi</i>) working under the Central Office.</p>	<p>Controlled. The Central Office gives instructions and supervises storage of wheat by the <i>ammassi</i>. The Office is responsible for the country's supplies and for the rational distribution of wheat.</p>	<p>By the Government, after taking the Committee's opinion.</p>
<p><i>Central Council:</i> 30 producers 22 { processors consumers officials</p>	<p>Decisions require a two-thirds majority at least $\frac{3}{4}$ the members being present failing which the decision is taken in Government.</p>	<p>The Central Council determines the quantity of wheat that may be imported and that which must be exported in the event of a harvest surplus. The Office does not itself manage the foreign trade it supervises and authorises import and export transactions.</p>	<p>Controlled. All wheat must pass through the co-operative organisations or the authorised grain dealers. Storage and the spacing of sales are regulated and supervised by the Office.</p>	<p>By the Central Council (subject to the conditions governing validity of decisions).</p>

It would be easy to multiply examples, for organisations whose main features would fall naturally under the same heads are to be found in many countries. The organisation of markets has thus come to involve a system based on:

1. The fixing and stabilisation of prices at a remunerative level.
2. Action in regard to supply and demand (leading to the control of production).
3. The control of foreign and home trade.

Many countries have only applied this new system to one or to some of their markets, leaving the others free, so that hasty generalisations must be avoided. Moreover, while the ideas underlying the reform of market organisation are similar in all countries, they have everywhere been adapted to political and social conditions.

The differences are, on the one hand, that State action is not equally direct, in all countries and, on the other hand, that the associations are concerned, in varying degree, in the management and working of the responsible organisations. This naturally leads up to consideration of the organisation of agriculture, which it must be borne in mind, is possible only with the co-operation of voluntary or compulsory associations of producers.

IV. — Organisation of Agriculture.

Thus, in many countries, the various sections of agricultural economy are under the control of organisations, but such a system of central offices gives satisfactory results only on two conditions. First, the authorities are unable to act alone. They need the help of private individuals, producers or consumers. They must consult their opinion and satisfy their just claims. A place for private interests must, therefore, be found in the working of the body responsible for regulating the market. Second, it is necessary to co-ordinate the various forms of action in the different sections of economy. The wheat market cannot be cut off from the market of the other cereals in a watertight compartment, neither can steps be taken to regulate the milk market without regard to their effect on the meat market, the market for butter and for other fats, and so on. The empiricism of State action has thus determined Governments' choice of an agricultural policy.

But the authorities will not help the agriculturists unless the latter first help themselves. The basis of contemporary agricultural organisation is occupational grouping. In industry, from the end of the nineteenth century onwards, an attempt at organisation was necessary because the problems of production and distribution had become more and more delicate on account of the development of credit, the ease of exchange, the rapidity of means of information and communication. For analogous reasons, and in spite of the difficulties inherent in agricultural activities, the peasants also sought to control the production and distribution of their produce. The economic depression was to make this need for organisation even more urgent.

Besides these economic factors, certain political factors come into play; for several Governments have loudly proclaimed the necessity of organising

occupations and giving the occupational groups a political part to play in the life of the nation. The economic slump gave the authorities an opportunity of putting their plans into practice.

Thus, nowadays, the occupational agricultural organisations sometimes cooperate with the authorities, and are sometimes an integral part of the structure of the State. It is impossible to describe in detail the way in which these organisations work, but some typical examples might be given in each of the two groups.

I. — *Occupational Organisations Co-operating with the Public Authorities.*

The Swiss Peasants' League, founded by Dr. Laur at the end of the nineteenth century, is an excellent example, of a professional organisation called upon to cooperate with the public authorities. It groups together all the agricultural associations and co-operative societies in the country. Thanks to the services it has done to agriculturists, and the extremely reliable information it collects on agricultural problems, this organisation is entitled to speak for all Swiss peasants. The Federal Council never takes an important step affecting agriculture without consulting it. The relations between the authorities and this private body are not fixed by law, but it nevertheless plays a highly important part in the economic life of the country.

By the side of this example might be set that of Denmark. A country of "industrialised" agriculture, Denmark produces three principal foodstuffs for export—butter, bacon, and eggs. It has only two important outlets, the United Kingdom (50 per cent. of exports) and Germany (20 per cent.). This specialisation in the production of a limited number of foodstuffs, and this dependence on two main foreign markets, render the Danish agricultural system somewhat fragile; during the slump, it was placed in a critical position by the drop in world prices and the closing of external markets. The traditional co-operative organisation, which is looked upon as a model of its kind, was no longer adequate to cope with the consequences of the depression. In agreement with the occupational organisations, the authorities promulgated certain laws with the object of improving the market in bacon, butter, sugar, etc. But these measures were not associated with any fixed doctrine of State action; they were amended as circumstances required, and some of them were cast aside when the causes that had brought them into being had ceased to operate.

In France, apart from the large agricultural associations which play a traditionally important part in the agricultural life of the nation, collaboration between the authorities and private individuals was legally organised by the establishment of "offices", and by an extension of the functions of the Chambers of Agriculture. The Office interprofessionnel du Blé, the activities of which we have attempted to show in a table, is a typical example of this collaboration between the State and private persons. Since 1935, the departmental Chambers of Agriculture, the members of which are chosen by a very comprehensive electorate (landowners, farmers, *métayers*, day and wage labourers, bailiffs, farm managers, etc.) and by the agricultural unions and associations, have had a

co-ordinating body—the Assembly of Presidents of Chambers of Agriculture. This assembly, which has legal personality and financial autonomy, must be consulted whenever legislation affecting agriculture is being prepared; moreover, it can, on its own initiative give advice to the Government. Although it is only advisory, it can influence the decision of the authorities in favour of the peasant classes.

In the United Kingdom, the traditional agricultural policy was radically altered during the depression. National agriculture was protected: (1) by restriction of imports, Imperial interests being taken into account (see Section I); (2) by the granting of subsidies (see Section I); (3) by the control of markets by boards. How Section boards generally work has already been explained; but the British system is of special interest because it has a much wider basis. At the present time, marketing boards control important branches of agricultural production. We shall study first the organisation and afterwards the activities of these boards, and then give some examples. The procedure of setting up a marketing board for one product or a group of products is complicated. The first stage is the drafting of a Bill, which may be submitted either by a group of producers or by a special reorganisation committee appointed by the Minister of Agriculture. The Minister then officially publishes the Bill so that interested producers may send in their objections and proposals, as he is in a position to amend the original plan or to have a public enquiry carried out into the objections that have been put forward. At the end of this period of publicity, the Minister introduces the Bill in Parliament with any amendments he may have made. When the Bill has been passed by both Houses, it may be given force of law. But this operation does not finally establish the new organisation, for the plan must be submitted to a vote of the registered producers, and before it can enter into force it must obtain the votes of at least two thirds of them, representing at least two thirds of the total output-capacity of the voters.

The bodies set up in this way have very extensive powers. They may obtain funds by levying duties on the product with which they are concerned; they are entitled to issue loans; they may buy and sell the products which are necessary for agriculture, and so on. But their most effective powers are those which concern the conditions for the sale of the product they deal with. They may lay down regulations concerning either the sale price of the product or the quantities that may be put on the market; they may also themselves set up as a commercial organisation and compel all producers to sell only to them, under severe penalties.

As there are laws enabling imports to be regulated with great precision, it will be seen that this is a system capable of influencing both prices and supply and demand.

It has been applied to several products on different lines. In order to show how it works, we shall give two examples:

(1) The Hop Marketing Board, which is the oldest, dates from 1932. It buys their entire harvest from the registered producers, any sale to other organisation being strictly prohibited; it then sells to the brewers at an agreed

price, the proceeds being divided among the producers in proportion to the value of their harvest. The Board is therefore a purchase and sale monopoly. After the abolition of prohibition in the United States, the consumption of beer increased, causing a rise in hop prices. The result was a tendency towards increased production. The Hop Marketing Board then allotted to each producer a quota based on his average production for the years 1928-1932, and refused to admit any more producers to the organisation.

(2) The milk market was harder to organise, because it comprises two parts: the market for milk intended for direct consumption, and that for milk intended for conversion. Up to quite recent times, the representatives of the agriculturists and the chief dairy associations met together every year to fix the price of milk, which was done with references to the ultimate use of the milk. This system worked so long as the prices for milk for manufacture remained satisfactory; but where these fell heavily producers who previously sold their milk for manufacture began to send their produce even very long distances to the liquid consumption centre. This caused a serious fall in the prices of milk for liquid consumption.

To remedy the situation Milk Marketing Boards were set up in 1933. The most important of these Boards is that for England and Wales. The chief object of this Board is to prevent the sale of milk for liquid consumption below certain fixed prices. The producers may sell their milk only through the agency of the Board. The Board has divided the area in which it operates into eleven regions. The prices paid by buyers of milk varies according to the use to which it is to be put. All the receipts from sales in a region are then pooled and distributed among producers; each producer in a given region receives from the Board the same price per gallon irrespective of the use to which his milk was put by the buyer.

To reduce the differences in the prices received by producers in different regions a duty is levied on all sales of milk for direct consumption and the proceeds are used to increase the amount to be distributed among producers in these regions where total receipts from sales are lowest, calculated as a rate per gallon on total sales, by reason of a high percentage of total sales being for manufacture. The functioning of the Marketing scheme has been assisted by Government subsidies made for the purpose of guaranteeing the Board certain given prices for milk sold for manufacture. It is impossible here to describe the difficulties encountered by this organisation; we would observe, however, that the Government has been obliged to grant subsidies to the Milk Marketing Board to enable it to keep up prices.

2. — *Occupational Organisations forming a Part of State Administration.*

Besides the occupational organisations asked to co-operate with the authorities, there are others which form an integral part of the Government—what are now-a-days known as corporations. It would be dangerous, however, to try to draw a strict line between these two kinds of institution. For the corporation is a fluctuating conception. It takes different shapes and works towards

different ends in different countries. It is easier to bring out the contradictions between the institutions collectively known as corporations than to find what features they have in common.

It may be said in a general way that a corporation is an occupational group intermediate between the individual and the State, endowed with special prerogatives consecrated by law. The English marketing boards are thus genuine corporations. Vague though it is, this definition raises a fundamental question—what is the place of the corporation in the State? According to some ideas, the corporation is an instrument placed in the hands of the State to satisfy the higher interests of the nation. According to others, the State should be nothing more than the resultant of the combination of the corporations. According to still other ideas, the corporation is not an essential part of the political structure of the State, but nevertheless has certain privileges.

In the space at our disposal it is impossible to discuss these theories. Suffice it to say that an occupational group is not a genuine corporation unless it is permanent, and unless its duty is to draw up rules which everyone in the industry or profession must obey. It is these two features that clearly differentiate the corporation from the free association, the trade union, the chamber of agriculture, the marketing board, etc.

In order to show how the corporations work, and what part they play in the regulation of production, we shall give some details of corporations as they exist in Italy and Germany.

ITALY.

Although the Law on Corporations dates only from February 5, 1934, the guiding principles of the Italian corporation system are older. We have not sufficient space to study a movement which is not yet concluded; we must be content with giving a few details of the corporations as they work at present, endeavouring to show what part they have played in the economic policy of recent years.

The basis of Italian economy is agriculture. More than 43 per cent. of the total population are occupied in agriculture. It must cope with the consumption of a very dense and steadily increasing population. It must enable the country to dispense as far as possible with food imports, and it must provide good quality produce for export in order to pay for part of the imports.

The prosperity of the country, especially if the Government's policy is autarchic, depends on its agriculture. That is why the authorities have endeavoured to encourage increased agricultural production and to integrate the organisation of the markets into a system of corporations.

According to the definition given by the head of the Government (Law of February 5, 1934), the corporations are "the instrument which, under the aegis of the State, combines the forces of production in a single complete organism with a view to the development of the wealth, political power, and welfare of the Italian people". Their purpose is to organise and control production from within, and they comprise representatives of the National Fascist Party,

who represent the consumers, and the employers, workers, and technical experts, these last being organised in separate unions (Law of April 3, 1926, and Decree of July 1, 1926).

The corporations are divided, according to the branch of production concerned, into three groups: (a) the agricultural production corporations; (b) industrial and commercial production corporations; (c) corporations for the provision of services. The first group (agricultural) includes eight corporations—cereals, horticulture, viticulture, timber, textiles, olives, beetroot and sugar⁽¹⁾, stock-breeding and fisheries.

Each corporation covers the whole series of productive operations from the raw material to the sale of the finished product. In forming the corporations, an attempt has been made as far as possible to respect the unity of the various cycles of production, and to combine in the same organisation activities connected by trade relations. Thus the cereals' corporation includes representatives of cereal cultivation, the threshing industry, flour-milling, rice and flour pastes, the baking and confectionery industry, and the cereals' trade, together with a delegate from the agricultural technical experts, a delegate from the consumers' co-operative societies, and an artisans' delegate. These representatives, whose number is always in proportion to the size of the interests they represent, make up, together with the representatives of the National Fascist Party, the Council of each corporation.

The corporations, which are Governmental bodies, are set up by decree of the head of the Government and are presided over by a minister or an under-secretary of State.

They have extensive duties, which they perform under the supervision of the State. In the first place, they discuss *all agricultural problems* affecting their respective branches which are *submitted* to them by the competent minister or the organisations concerned after approval by the head of the Government. In other words, agricultural questions are now examined with the greatest care by the persons actually concerned, *i. e.*, the consumers and the agriculturists themselves. Secondly, the corporations lay down general principles for the regulation of labour, and attempt to settle the disputes which arise in the execution of labour contracts. Third, they act as links between the various administrative departments and the economic activities they represent. Fourth, they negotiate with certain economic organisations to obtain concessions for agriculturists such as lower railway freights.

The resolutions passed in the debates of each corporation are submitted for approval to the General Assembly of the National Council of Corporations, whose function it is to harmonise them with the interests of the other corporations. They are not binding until they have been promulgated by decree of the head of the Government.

(1) The amalgamation of the horticulture and the sugar and beetroot corporations is now under consideration.

The corporations have a number of essential features. Primarily they are government bodies, so that the authorities are able to exercise an effective supervision over agriculture. Secondly, they cover the whole economic activity of the country—they are, as it were, universal. Lastly, up to the present they have been advisory bodies, but advisory bodies of a very special nature, since they are able to speak on behalf of interests which they *actually* represent. No step is taken by the authorities in connection with the organisation of markets before the corporations have expressed their opinion.

GERMANY.

For an understanding of the part played by the agricultural corporations in Germany, some general knowledge of the economic evolution of the country is necessary.

Being a mainly industrial country, Germany needs to import foodstuffs and raw materials for her industry, and also to export manufactured goods. Before the world war, she succeeded in developing her economy by a constant increase in foreign trade. The trade balance was very unfavourable, but the deficit was partly compensated for by the interest on the debts owing to Germany abroad. After the war and the loss of her financial position as a creditor, Germany sought to establish economic equilibrium. Since the 1933 revolution, she seems to be concentrating on her home market more than during the years immediately following the war. To supply the country from its own internal resources is now the root problem. External trade must be confined, on the import side, to what is *necessary* to the national economy. Thus, at the same time as she reduces her imports of raw materials for industry, Germany is tending to decrease her purchases of foodstuffs abroad. It therefore seems that the place of agriculture in German economy is to-day of greater importance than formerly.

Before the advent of National Socialism, the authorities exercised their powers in an endeavour to check the drop in the prices of agricultural produce. Provisional and disconnected measures were taken to strengthen the system of protection and establish a partial regulation of the markets for the main agricultural products; such an empirical system, the working of which was hampered by international economic conditions, gave unsatisfactory results. This situation paved the way for the application of a general programme of agricultural re-organisation.

In economics, National Socialism seeks to achieve social justice by protecting the producer and the consumer. This ideal, which is that of all countries, has been partially attained in Germany by the establishment of a corporative system. The Food Corporation (*Reichsnährstand*) is intended to "represent the sum total of agriculture and the German peasants, including the co-operative movement, the wholesale and retail trade in agricultural products, and those who prepare and process the produce of German soil". All agriculturists are compelled to be members of the Corporation and to pay a yearly subscription, which varies with the size and nature of their undertakings and is collected by the Revenue authorities together with the taxes. The decisions of the Cor-

poration have the force of law, and agriculturists are compelled to obey them. The Corporation is an organisation with many grades, which works under the direction of the "Farmers Leader" towards three objects: (1) to encourage political, social, and cultural life among country people; (2) to improve agricultural technique; (3) to *organise markets*. The last function is one of the most important.

The object of organising markets is to ensure adequate supplies and to *reach and maintain* a price-level regarded as *remunerative* to the producer and bearable by the consumer. Of course, to reach this result, the methods employed consist in influencing supply, demand, and prices, as pointed out in a previous chapter.

But these measures are taken by the State and the Food Corporation, which although it is a self-governing body invested with legal personality, is an instrument in the hands of the State. This subordination of the Corporation to the State is even more noticeable in practice than in theory; for since 1933 the offices of Minister of Agriculture and Chief of the Food Corporation have been held by the same man, so that conflicts between the two bodies are out of the question.

This dualism in the organisation of the markets is reflected in the existence of National Offices (*Reichsstellen*), which are State organs, and National Federations (*Hauptvereinigungen*), which are Corporation organs.

The National Offices direct external trade, supervise imports, and build up reserves. They are five in number, and correspond to the most important products:

- (1) Cereals, cattle-fodder, etc.
- (2) Dairy produce, oils and fats.
- (3) Eggs.
- (4) Animals and animal produce.
- (5) Horticultural and viticultural produce.

The National Federations are groups of regional federations, comprising the agricultural producers, trade, and the processing industries. The representation of their interests varies with individual cases. Each of these regional federations works in a *specified economic area* to regulate the market for a given product or group of products.

Thus, the German corporative organisation is not a mere passing reaction against the fall in the prices of agricultural produce during the economic depression, but an entirely new system.

PART II.

FEATURES AND EFFECT OF GOVERNMENTAL ACTION

The examples given in the technical study of Governmental action show that the agricultural policies of all the European countries have striking resemblances. Almost everywhere are found systems of protection, a reduction in the cost of production, and the organisation of markets and of agriculture. But each country has applied these measures with an eye to its own economic, social and political circumstances. Some nations, such as Italy, have wholeheartedly embarked on a course of Governmental action; others, such as Denmark, have taken a similar step with some reluctance; still others, such as France, have attempted to reconcile the demands of the moment with their traditional liberalism. But, whatever the differences may be between countries, the points of resemblance are too marked to make a study of their common features and general results unprofitable.

I. — Features.

(1) *Simultaneity.* — Since the principal cause of Governmental action was the world economic depression, it was to be expected that such action would make a simultaneous appearance in most countries. Thus it was in 1931 that some Governments took the first step towards the regulation of markets and production, and others extended measures which had formerly affected only one or more branches of the agricultural industry.

(2) *Improvisation.* — The system of Governmental action, being a defensive reaction against the depression, takes an impromptu form. The authorities suddenly had to plough an enormous field which had until then lain fallow. For that reason, during the earlier years, most forms of Governmental action seemed provisional and vague. Little by little these features are disappearing: the system of Governmental action is passing from the empirical to the scientific stage.

(3) *Variety and Abundance.* — Stress must also be laid on the abundance and variety of the measures taken by the Governments. Thus, to decrease the cost of production there is not just a single law in each country: there are sometimes dozens of legislative measures dealing with all aspects of the problem. In the spheres of customs protection and the regulation of prices, the authorities have shown so much ingenuity that a comparative study of national legislations is an extremely difficult matter.

(4) *Automatism.* — The complex nature of Governmental action systems can be explained to a certain extent by the fact that the development of Government action is independent of the will of private individuals as well as the

authorities. It is dictated by an almost mechanical necessity; one measure leads to another. This automatic character of Government action is implicit in the way the agricultural markets work, for they are both interdependent and extremely sensitive on account of the lack of elasticity of the demand. Any step that affects one market more or less directly affects many others, thus creating new situations which, in turn, call for further action. The mechanism may work either between countries or inside countries. Thus the restrictions placed by the United Kingdom on bacon imports in 1932 caused Denmark, in February 1933, to vote a law on the regulation of pig production. In another country, "the wheat situation cannot be settled unless the other cereals also are dealt with. The finding of an outlet for rice by using it to feed animals closes other outlets for oats, barley, and the small grains. Increasing the consumption of meat and fruit means reducing the consumption of bread. Encouraging the use of groundnut oil adversely affects butter and animal fats. Fruits and vegetables from hot countries stop the cultivation of forced produce in temperate countries. When surplus wine is changed into alcohol, there is a serious risk of affecting cider and beetroot. It is almost impossible to act on one branch of agricultural economy without affecting another; they are all bound up together. When the balance is restored in one direction, a new lack of balance is to be immediately expected in other directions..."⁽¹⁾.

II. — Effects on the Structure of European Agriculture.

To believe that the agricultural world has been thrown into confusion since 1930 would be to misunderstand the fundamental character of agriculture, which in spite of technical improvements, is still subordinate to natural conditions, and therefore evolves very slowly. Only in a few years' time can the results of Government action be impartially weighed. It is true that an examination of agricultural accounts may afford valuable information about the material position of agriculturists, but the adequacy of the turnover from agricultural undertakings is only one special aspect of a more general problem. If farmers' profits increase, that is evidence of the at least temporary effectiveness of the steps taken by the authorities. But this favourable sign gives no indication of the more far-reaching changes in agriculture, which make themselves felt some time afterwards. Nevertheless, an attempt must be made to detect these changes in order to prepare for the future.

But it is difficult to do this—for two reasons; first, statistics are not always available to give an irrefutable picture of the various phases of the evolution; second, a consideration that seems to apply perfectly to one country is invalid for another. Yet it is impossible not to point out some facts which will perhaps enable the reader to make useful observations or comparisons.

(1) AUGÉ-LARIBÉ, Rapport à la XIV^{ème} Assemblée Générale de l'Institut International d'Agriculture, page 31.

(1) *Rehabilitation of agriculturists.* — What is the explanation of the authorities' solicitude for agriculturists in the last few years. True, the catastrophic drop in the prices of agricultural produce made Governmental action necessary; but before the Government could act, public opinion in each country had to understand the part played by the agricultural classes in the life of the nation. For that reason it may be said that agriculturists have been economically and socially rehabilitated in the last few years.

This rehabilitation is economic, because the world depression threw into relief the importance of agriculture as the determining factor in national prosperity. The interdependence of the urban and rural classes became obvious as soon as the difference between their respective purchasing powers became too great. It is social, because there is a tendency in many countries to regard the rural class as the back-bone of the nation and the inspirer of its civilisation. In Italy, the head of the Government proclaims that "a nation is not really solid unless it has its feet firmly planted on the soil". In Germany, the words "*Blut und Boden*" symbolise the predominant part played by the rural class in the life of the country. In France, the authorities are endeavouring to re-establish the prestige of the countryman.

(2) *Stabilisation of the agricultural class.* — To fulfil its traditional rôle, the rural class needs a certain degree of stability. To the former programme of agricultural policy, one of the principal objects of which was the development of small holdings, has been added the maintenance of the purchasing power of agriculturists at a sufficiently high level, *i. e.*, the stabilisation of the income from the holding. This has been achieved, as we have already seen, by Governmental action, with the dual purpose of altering the distribution of the national income and maintaining the balance of the purchasing powers of the various economic classes.

However, the help granted by the authorities to agriculturists has varied greatly with economic conditions in different countries. In countries where the national wealth is made up of highly-developed industries and extensive international trade, the Governments may grant large subsidies to farmers; in countries where agriculture predominates, it is obviously much more difficult to amend the distribution of the national income in favour of the peasants.

Nevertheless, Government action does not necessarily take the form of a system of granting favours to agriculturists; there may be an increase in the national income which benefits all economic classes.

In the table showing the assistance granted by the authorities to wheat-growers in the United Kingdom, the mechanism that has enabled the average income to be kept constant can be clearly seen.

It would be easy to multiply examples. In any case, there is no doubt that the result of Governmental action at the beginning of the depression was an increase in farmers' incomes and, in more recent times, their maintenance at a more or less constant level.

(3) *Change in the farmer's position.* — It is not our place to pass judgment on Government action; we have rather to give a few facts enabling

Wheat Subsidies in the United Kingdom

	1937-38	1936-37	1935-36	1934-35	1933-34	1932-33
Average sale price per cwt.	8s. 4.39d.	8s. 8.92d.	5s. 9.23d.	4s. 10.87d.	4s. 7.63d.	5s. 4.46d.
Deficiency payment by the Wheat Commission per cwt. (1) . . .	1s. 7.00d.	1s. 1.53d.	3s. 4.26d.	3s. 9.55d.	4s. 10.30d.	4s. 5.25d.
Average income for the producers per cwt. . .	9s. 11.32d.	9s. 10.45d.	9s. 1.49d.	8s. 8.42d.	9s. 5.93d.	9s. 9.71d.

(1) On an amount not exceeding the officially determined "anticipated supply,"

the reader to grasp the evolution of *rural life*. There is no doubt that, in order to obtain State aid, agriculturists must discharge certain compulsory formalities which restrict their traditional freedom.

The complex mechanism of Governmental action encourages the development of a bureaucracy which controls the farmer's activities and causes him unintended annoyances. The reader must have lived in the country to realise how hard the countryman find it to bear things which seem trifling or easy to town-dwellers, if only because the government offices are so far from his home. For instance, in almost every country farmers have to declare their crops. They are obliged to state the quantities they have harvested. They do not always know, and they sometimes find it very difficult to convert the local standards of weight or volume into legal units. They have to give details of the size of cultivated surfaces, which is not easy; they have to state how much will be sold and how much kept on the farm for sowing, for the cattle, and so on. These calculations are not easy to carry out, as is amply proved by the inaccuracy of the statistics.

It would be easy to multiply examples. This web of formalities woven by the authorities is a thing that the farmer often finds almost insurmountable. But, apart from these formalities, the numerous prohibitions that he must observe restrict his traditional liberty. In one place the agriculturist is forbidden to extend the area of his farm under grain crops; in another he must obtain a special licence from the Administration to grow vegetables; elsewhere, he is forbidden to make butter on the farm; or he is obliged to sell his crops to a particular dealer or co-operative society; and so forth.

True, it is better for the farmer to suffer these restrictions than to live in poverty due to the low prices obtainable for agricultural produce on disorganised markets. This is a problem that we are not called upon to face, but we cannot but point out the price paid by the farmer for the material improvement of his position.

(4) *Effects of Government action on agricultural production.* — Government measures affecting supply and demand in agriculture often bring about far-reaching changes in the distribution of the forms of cultivation. The policy

of self-sufficiency pursued in many countries results in a development of the system of growing several crops simultaneously. This is clearly shown by the increase in the area under textile plant cultivation from 1930-1937.

*Comparative table of areas under textile plant cultivation
in 1930 and 1937*

Year	Italy	Germany	Poland	Romania
1930	86,487	11,430	147,353	51,169
1937	114,529	64,384	179,963	74,172

It should, however, be observed that the home production of textiles in these countries is still very much lower than the consumption. In spite of the restrictions imposed, imports of these products still occupy a prominent place in the trade balance. The phenomenon is, therefore, not so much a thorough-going change as the beginning of process of evolution.

In other countries, the encouragement given to wheat-growing has increased the area under wheat.

*Variations of the area under wheat in the United Kingdom
and in Ireland from 1930 to 1937*

	1930	1937
	hectares	hectares
United Kingdom	566,577	700,838
Ireland	10,821	89,136

In this way, crops that had for a long time been grown only on a reduced scale have now come to play an increasingly large part in the agriculture of certain countries. There is no doubt that these changes are brought about under the influence of social factors, and are sometimes in opposition to the principles of agronomy, which give prime importance to the natural possibilities of each area.

If the quantitative composition of agricultural production is changed, what will be the effect of Government action on quality? In the technical study of Government action, it has been pointed out how difficult it is to estimate the quality of the produce when fixing prices. For if a series of prices be established, varying with the quality, the result is sometimes a system which is somewhat difficult to apply. If a single price be fixed, quality is sacrificed to quantity. Perhaps the free play of supply and demand might often enable prices to be more easily adjusted to the value of the goods.

(5) *Government action and the influence of weather conditions.* — Whereas the improvement in agricultural technique tends to make agriculture less dependent on the weather, it would seem that the result of Government action has often been to enhance that dependence. The isolation of national markets makes the inelasticity of the demand for agricultural produce more dangerous when there are abundant harvests. A market such as the wheat market is much more stable when it covers the whole world than it can possibly be within the frontiers of a single nation. Good and bad harvests in different parts of the world can easily be made to cancel out. World production varies only very slightly from year to year but the annual variations in any one country are sometimes very great. The figures in the table below, taken from the International Year-Book of Agricultural Statistics, give clear proof of this.

Comparative table of the quantities of wheat harvested throughout the world and in certain producing countries.

Year	World total (1)	United States	France	Romania	Hungary
	(Thousand quintals)				
1933	1,034,500	150,146	98,611	32,406	26,224
1934	953,100	143,263	92,129	20,835	17,642
1935	970,300	170,466	77,552	26,247	22,922
1936	957,100	170,581	69,296	35,031	23,892
1937	1,037,000	237,866	69,002	37,601	19,638

(1) Not including the U. S. S. R.

It should nevertheless be observed that unsaturated national markets are more favoured by the new state of affairs than saturated markets. In our times, it is easier to bring production up to the level of consumption than to reduce it. In France, for instance, the effectiveness of Government action on the wheat market depends to a great extent on the weather. When the harvest is too abundant, the system works badly. In Italy, on the other hand, where the production of wheat is still often smaller than the consumption, it gives more satisfactory results.

(6) *Government action and international trade.* — In whatever way the national markets may work, there is no doubt that between 1929 and 1936 international trade underwent profound changes. The drop in gold value was roughly 60 per cent.; the decrease in volume, although quite appreciable, would not seem to have exceeded 20 per cent. In these variations it is very difficult to discover exactly what part was played by Government action, because the reduction in external trade was not general for all countries, nor for all products. As it is impossible in this report to examine many special situations, we refer the reader to the numerous publications which have already dealt with the subject.

BIBLIOGRAPHY

The International Institute of Agriculture has ample documentary material on the subject of Government action in the sphere of agriculture. Much information has been given in:—

- (i) *World Agricultural Conditions*, an economic commentary on the International Year-Book of Agricultural Statistics (8 volumes).
- (ii) *Government Measures Affecting Agricultural Prices*, for the years 1935, 1936 and 1937.
- (iii) *Monthly Bulletin of Agricultural Economics and Sociology*
 - (a) *International Chronicle of Agriculture*, from January 1937.
 - (b) *Numerous articles.*
- (iv) *International Year-Book of Agricultural Legislation* (17 years).

Extremely valuable data will also be found in the non-periodical publications of the International Institute of Agriculture. See in particular the report submitted on behalf of the Permanent Committee to the Fourteenth General Assembly by M. Augé-Laribé, on the instability of agriculturists' remuneration and methods of reducing it. A work on the effects of Governmental action on international trade is now being prepared by the staff of the International Institute of Agriculture.

Lastly, the Library of the International Institute of Agriculture has collected all the chief works published on Government action in agriculture. The most important of them were consulted in the preparation of this report.