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SAYS THAT HIGH WAGES HAVE THROWN PURCHASING POWER OF THE FARMERS OUT OF LINE

(By Alexander Legge, President, International Harvester Company.)

I do not agree with the popular theory that the farmer's difficulties are all due to the war. It is my conviction that the American farmer has never had his fair share of America's prosperity. Statisticians may point to the huge total farm wealth or estimated value of farm property today as evidence that the farmer has prospered abundantly. That enormous total, however, represents chiefly the enhanced value of farm lands. Will anyone deny that the farmer, whose efforts alone have given the farm lands all their value, is justly entitled to what the economists call the unearned increment?

When we analyze the returns received from agriculture on an operating basis—that is to say, the proceeds actually received by the farmer for the produce of his farm—we find that even during our more prosperous periods the returns represent a very low rate of compensation for the efforts put forth by him and his family.

Again, do you realize that our farm mortgage indebtedness today amounts to as much as the total value placed upon all our farm lands only a little more than a generation ago? And if you will examine the figures you will see that by far the greatest part of the entire gain in farm values is represented by the higher basis at which the land is appraised at the present time.

Buying Power Out of Line

Perhaps one reason that makes the depressed condition of agriculture today more acute is the fact that a period of constantly rising values has apparently ceased and the farmer's credit can no longer be expanded on the basis of the increasing value of his land. Therefore, perhaps we had some part of the adjustment coming to us, even without the changed conditions brought about by the late war. Perhaps we can best understand the present situation of agriculture by reducing the returns the farmer receives for his produce to a basis of compensation corresponding to the wages of the workman and the salary of the office employee—in other words, to the compensation received for his labor.

Today the compensation of the farmer is hopelessly out of line with the compensation received by the men in virtually every other occupation. When we realize that it takes the gross proceeds of an acre of wheat in North Dakota to equal the daily compensation of a man engaged in the building trades in our larger cities at the present time, it is easy to understand that the farmer is in a pitiable position when he comes to purchase the goods produced by the higher paid men of other industries.

We cannot hope to have a high level of wages for labor and at the same time to have a low price for the commodities which that labor produces, for the plain reason that fully 80 per cent. of the wholesale price of manufactured articles, generally speaking is paid to somebody as compensation for labor entering into the cost of production. This percentage may strike you as high, but in reality it is a conservative estimate, based on exhaustive studies made in many lines of production. The wide discrepancy between this figure and the idea that prevails generally is due to the fact that when the manufacturer is asked for the labor content in his goods, he usually quotes only the labor cost in his particular manufacturing operation, ignoring the fact that the cost of the raw materials he uses is largely represented by the pay roll of the fellow who produces the raw material.

Cost of Transportation

To state this a little more clearly let us take the cost of transportation. That railroad manager will tell you that 52 per cent. or 54 per cent. or some such percentage of the revenue of the railroad is paid out for wages. This is the railroad's direct pay roll. It does not take into account the wages of the men who mine the coal and of those who transport it to the place where it is needed to fire the locomotive. In fact, the coal bill, which is the second largest item of cost in railroad operation, is mostly a labor bill, as you can buy all the coal you want at ten cents a ton in the ground. When you add to the 52 per cent. direct labor expenditure of the railroads the indirect labor bill for the coal they burn and for producing the locomotives, the cars and rails with which they operate, you will see that something over 80 cents of every dollar that is taken in for transportation is paid out for labor

necessary to make that transportation possible.

Now, please do not get the impression that I am offering an argument against the higher rate of compensation. With the heavy burden of debt the nation has accumulated as a result of the war, it will undoubtedly be much easier for us to pay the bill on a high rate of compensation for everybody than on a low rate. What I am trying to make clear is the present inequality of the rates of compensation as between the farmer and all other workers. This condition cannot continue. Either the compensation of the farmer must go up or the compensation in other industries must come down until some kind of equality is reached.

In industry when we find a factory, or department in a factory, going wrong or operating on an unsatisfactory basis, the first thing the management asks for is an analysis of that factory or of that particular operation. Facilities for a better analysis of the actual results of farming operations are a fundamental necessity which today, apparently no one can supply. Our farmers need to keep a better record of their operations for two purposes: first, so that they may have more accurate information as to which commodity raised on the farm produces the best returns; and second so that they may present more definite and conclusive information to others.

A lot of my farmer friends roast me unmercifully about the cost of farm implements, yet I have never found one of them who could show for a period of years that his average cost for implements and for repairs to maintain them amounted to more than 7 or 8 per cent. of the amount necessary to operate his farm. The figures in most cases were much less than that.

The farmer, as I know him, does not want the sympathy of his fellow citizens, but he does want and he should have the co-operation and support of other industries and groups in putting his industry and his group on a more satisfactory footing. More accurate information about farm production will be helpful in adjusting his operations to changing conditions.

Increased cost of transportation has vitally affected the wheat growers in many sections of the country, particularly those farthest removed from the consuming centres, and it may be that the solution in certain localities can be found in changing the farmer's product from wheat to other commodities that are better able to stand the increased transportation cost.

Years ago I made a trip through Central and Western Siberia, a territory very closely resembling North Dakota and Manitoba, and with soil and climatic conditions much same as in that part of our continent. I was surprised to find the railroad sidings in the villages lined with creameries, cheese factories, cold storage plants, small packing plants—and never a grain elevator in sight. The produce moving over the rails was largely carried in refrigerator cars, practically no grain being transported by the railroads.

The reason was simple. The rail haul of from three thousand to five thousand miles necessary to deliver wheat any consuming centre made the shipment of grain impossible, as the value at destination would scarcely cover the transportation charges. Therefore, notwithstanding the fact that the long winters were a handicap to dairying operations, dairying was the principal business.

My belief is that it will be found possible for this country to export food products of various kinds on a basis that will be remunerative to the producer. The first important step is so to improve our marketing arrangements that we shall not be forced to depress the value of our own products. Further, I believe that some sections of what is known as wheat producing territory today will find it more profitable to produce other commodities, which will naturally lessen the quantity of wheat surplus to be disposed of.

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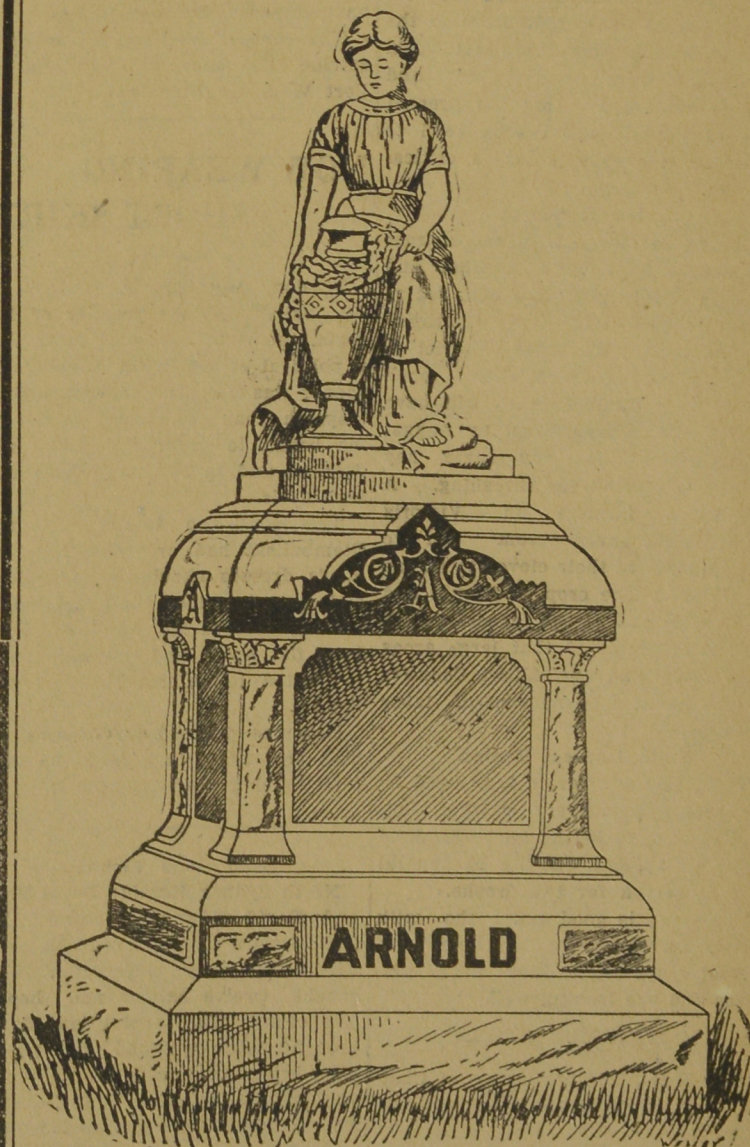
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