Economic Factors Affecting Western Farmers

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The most vital problem in connection with farming is, after all, that of value. In season and out of season farmers have been urged to increase their output of agricultural products, and not only to extend the area under cultivation, but to secure a larger output per acre. Enormously important as mere output is, under war conditions, attention has at length been centered upon an even more important factor in the situation—namely, the market price of what is produced. In last analysis, and in a word, what is needed to establish on firm foundations the economic structure of the West is a larger output, in terms of value, per man, and not an increased yield per acre. From the patriotic standpoint everything must be sacrificed in behalf of increased food output for the term of the war; but thereafter the problems of price and of the standard of living for the farmers on our prairies will become of imperative importance.

The farmer especially will face a new economic situation and be confronted by entirely different world conditions at the close of hostilities. As a primary producer the whole machinery of distribution means much to him; and it is essential that he study carefully the present drift of the current in business and finance as well as the new economic instruments that are being forged in the fires of war if he is to adequately cope with the difficulties that are sure to confront him when peace shall have been proclaimed. At the heart of these difficulties will lie the problem of market prices. It is important therefore to grapple with this subject here and now if the right solution and the right measures adequate to the situation are to be reached in the future.

1916 CROP.

This is crystal clear if one recalls that the organized farmers of the West, through their leaders, offered the British authorities the 1916 crop of wheat at a minimum price of $1.50 per bushel and a maximum of $1.90, in lieu of Sir George Foster's offer of $1.30 maximum. As everyone knows the price of the 1916 crop was fixed at $2.40, under the pressure of economic facts that could not be ignored. Nevertheless, it cannot be forgotten that the farmers were bitterly arraigned by the Eastern press, as war profiteers, when they declined what was said to have been a fair and square, if not munificent, offer by the Canadian government. However that may be, this has become history, and we are more immediately concerned, both with what is and what must be in the field of market prices for agricultural products. The fixed-price question requires immediate attention.

Should space permit it would be a fascinating study to inquire into the problem of price-fixation historically considered. Many there are who imagine that fixed prices are something altogether new and an outcome of present emergency conditions only. It is a fact, however, that interest and prices were the chief subjects of economic discussion and state regulations during the middle ages. The church had much to say of "just" prices—prices, that is, that would be absolutely fair to both producer and consumer. Such a price, it was maintained, was one that would cover the cost of raw materials and afford a sufficient margin to sustain the laborer and his family in the position in which the Creator had been pleased to place them. The reign of Queen Elizabeth, 1558-1603, was the period, par excellence, of price-regulation and wage-fixing, when the whole economic life of the people was strictly regulated and when patents of monopoly were the order of the day. It is curious to reflect upon the fact that as strenuously as the laboring class protested against wage-fixations by justices of the peace in that day even more bitter was their protest during the period of the Industrial Revolution against the abandonment of this practice.

It is impossible to go into detail at this time, and it must suffice to point out that the laissez-faire policy and philosophy — the reign of nature and of natural law — that provoked the French Revolution and colored the Industrial Revolution in turn, brought about a new concept of what was just in the realm of economics and of industry. The natural sciences now claimed the attention of thinkers and philosophers, and had a tremendous effect in shaping legislation and altering the economic life of the nation. This movement culminated in the abolition of the Corn Laws in 1846, when the United Kingdom was fairly launched on its Free Trade career. Contrary to the sanguine expectations of the industrial leaders of that time, the rest of the world did not fall into line, but on the contrary developed and established the protectionist system. Free competition and ruthless trade, carried on behind high tariff walls, inevitably led to the formation of trusts and combines and to a return to the outworn practices, abandoned for generations, of price-fixation.

Thus it developed that instead of prices being determined by the natural laws of supply and demand, the manipulators in almost every sphere of economic activity combined to agree on precisely what prices consumers should pay. The merger movement ran riot through the whole industrial world, and in transportation both by land and water. Even the retailer was ultimately forced to sell an enormously wide range of commodities, nationally advertised, at fixed prices. Whether one bought soaps or breakfast foods, gramaphones, pianos or jew's harps, tobacco or snuff, boots or crockery, the same policy prevailed —the day of "higgling" over the counter to establish a price had apparently gone forever. Farmers, therefore, are not a little surprised to be told, in answer to their legitimate demand that the prices of primary necessities essential for agricultural production should be fixed, that it would dislocate industry and hamper production, as well as send prices sky-rocketing if such a demand were to be met. In the meantime farmers must accept a price for their biggest cash crop on a basis determined by mutual agreement — an agreement which concerns itself with the interests of the consumer as well as of the producer — while they are obliged to purchase farm machinery and all kinds of necessary supplies at prices determined by manufacturers and other producers alone. In this instance at least free competition, the laws of supply and demand, are sacrosanct — and apparently as immutable as the laws of the Medes and Persians as well.

A risk attaches to agriculture that is quite distinct from that applying to manufacturing, a risk in which the element of time and the operation of natural laws plays a large part. Farmers have little control over natural conditions, and the period between seedtime and harvest is so great that a quick turn-over of capital is an impossibility. In view of these indisputable facts, it requires courage to undertake the greatly extended responsibilities thrust upon the agricultural community by the exigencies of war. The future trend of prices, their probable rise or fall, becomes therefore a factor of surpassing importance in the situation. What, then, is likely to be the course of market prices during the next few years, and more particularly for the period ensuing after the close of the war?

Leaving aside for the moment the well-known facts of decreased production of all essential supplies — with the exception of iron and steel — since August, 1914, what other factors operate, and will continue so to do, in maintaining prices on a high level? The slaughter of 137,000,000 head of stock in Europe, the depletion of supplies of grain, the semi-exhaustion of the economic forces of the grain-producing States of South Europe—Roumania, Hungary, and the Ukraine — all make for continuing scarcity of food supplies. This does not lose sight of the fact that there is a surplus of wheat to-day in the Argentine, Australia and India; but nevertheless, shortage of shipping and the process of demobilization will retard the transference of wheat from these sources to Europe. The simple truth is that the great nations must go hungry for a long period after the war and until stocks shall have been again accumulated. Recall also that the railroads and the roads of Europe have been racked under the tremendous strain of war, that — notwithstanding the 5,000 new factories built in England and those in Germany, France and Russia — the whole economic equipment and machinery of Europe has deteriorated, and it will be readily seen that production on an ante-bellum scale will be a sheer impossibility at the establishment of peace. Moreover, it may be conservatively estimated that ocean tonnage will be reduced, in sum total, by at least 20 per cent.

But the other aspect, the money and credit aspect, of the price problem is of even greater importance. It is obvious that while the nations were still on a sound financial basis, the increasing supplies of gold were steadily depreciating the value of the yellow metal. Up to 1900 the total world stock of gold was only some $13,000,000,000, and since that year there has been poured upon the markets of the world — up to the outbreak of war — additional supplies amounting, each year, to between $450,000,000 and $500,000,000. Increasing gold supplies precipitated a crisis in the cost of living; but how much greater is the crisis in the markets of the world to-day! Every nation engaged in the war in Europe, with the exception of the United Kingdom and the United States among the Great Powers, has gone on a paper money basis. Keep in mind that the total paper money issues of the United Kingdom, France, Russia and Germany, before the war, amounted to only $2,500,000,000 in round numbers; and that the same nations have increased their paper money issues to over $19,000,000,000 since the outbreak of hostilities and it will be easily seen how greatly prices have been affected by this factor alone. The following table tell the story:

Paper money issued.	1917.	1913.
United Kingdom	$1,293	$ 144
France	4,467	1,185
Russia..	9,181	850
Germany	4,200	488

In this table the figures represent millions, and to will be seen that the paper money issues of these four Great Powers by December, 1917, amounted to over $19,000,000,000. When one remembers that the United States, during the Civil War, issued only $450,000,000 of paper money, and that in July, 1864, it took $2.85 in paper to buy $1 in gold, it is clearly evident that prices must rule high in Europe until this paper is made as good as gold — that is, until it is made redeemable on demand in gold. But that is not all.

The national debts of the chief countries of the world have tripled since the outbreak of war, amounting to $106,000,000,000 on August 1, 1917. It has been calculated by the Mechanics and Metals Bank of New York that, for each month the war continues, the cost to the belligerents is not less than $5,000,000,000. At that rate of expenditure the minimum estimate for the debt of the world on August 1, 1918, will be the staggering total of $166,000,000,000. As is well known this debt is largely in the form of consolidated debenture stock and bonds — securities which in themselves furnish the basis for additional circulation and hence for price-inflation. Holders of bonds may pledge their securities at the bank, and secure loans thereon to be left as deposits against which cheques can be drawn. Both the volume of the circulating media of exchange, as well as the rapidity of that circulation, increases the longer the war lasts. Hence, prices must reach new and higher level.

It is a trite but true saying that the economic and social life of the world can never be again what it was at the outbreak of war. We protest against the formulation of any plan or programme to carry on a commercial or industrial war against the Central Empires after the concluding of peace; but nevertheless we must not be blind to the facts of the new economic situation. What are some of these facts? A group of American capitalists have formed the International Corporation, with a capital of $50,000,000 to finance American exports after the war, and open up new markets abroad. The bankers of the United Kingdom have launched the Imperial Banking Corporation, with a capital investment of $250,000,000, to take care of the foreign trade of the whole Empire in the neutral markets of the world. In addition important mergers in British shipping have recently taken place in preparation for the future commercial struggle; and the German government has advanced to the Hamburg-American and the North German Lloyd Steamship Companies $75,000,000 for economic rehabilitation, with the promise to increase this to $500,000,000 at the close of the war. Everywhere in Europe huge trusts and cartels are being organized to control, on a national scale, imports as well as exports in the days of industrial stress to come. It is perfectly evident that unified buying and selling will deeply affect the economic life of Canada, and especially its agricultural life, the vigor of which depends so largely upon export markets and prices.

What, then, remains to be done? The removal of customs duties on wheat, cattle and small tractors is a step in the right direction, but only a step. It is of imperative importance that a premium be placed upon agriculture; that all economic disabilities under which it, at present, labors be removed; that foreign markets and shipping and transportation connections be organized in the interests of farming; and that, above all, agriculture be furnished with abundant and cheap capital for long periods. In a word, it is time to consider the farmer both as producer and borrower, as well as the interests of the lending class. The agricultural worker rightly asks not only the opportunity to make a living but to live a life.