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# THE MOST COMPLETE AGRICULTURAL RECOVERY IN HISTORY

## THE EXAMPLE OF DENMARK

By

**FREDERIC C. HOWE**

CONSUMERS' COUNSEL OF THE  
AGRICULTURAL ADJUSTMENT ADMINISTRATION  
WASHINGTON, D.C.



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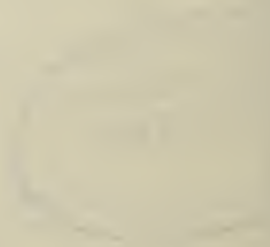
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## THE MOST COMPLETE AGRICULTURAL RECOVERY IN HISTORY

**W**HEREVER we turn we find agriculture in a neglected status. Only within recent months have attempts been made to develop a well-organized agricultural objective and to lift the status of the farmer to that of the more powerful economic groups.

There are five problems that must be solved if we would place agriculture in its proper place as related to the Nation as a whole. Those problems are (*a*) the relation of the farmer to the land; (*b*) transportation, and the cost of bringing the products of the farm to the market; (*c*) credit; (*d*) marketing agencies; and (*e*) the elevation of the farmer to effective and intelligent power in the political state.

These problems may be reduced to efficient production on the one hand and the eliminating of wastes of distribution on the other. They are both economic and political. Both must be solved if the farmer is to have his proper place in the social system.

The farmer has a universal market. He has 125,000,000 buyers. These buyers have no choice. They must eat if they would live. The more they buy, the greater their physical well-being; as the more they buy at a price they can pay, the surer the farmer of a profitable market. The farm problem is a consumers' problem.

An orderly, balanced, and equitably organized society is the goal. And it is important that we have a goal, even though the routes to be traveled may have to be abandoned from time to time for a new approach to the problem.

Now, it is my belief that in a highly nationalistic state no recovery is possible until the well-being of the farmer is assured. The farmer is the paymaster of the wage worker, as he is the paymaster of interest and dividends. We cannot expect to have profitable industry until the farmer's income is such that he can buy. It is not an accident that the income of the farmers in 1932 was about \$5,000,000,000, while the income of the factory workers was almost exactly the same amount.

### DENMARK, A FARMERS' SOCIETY

It is because the little country of Denmark has seemed to be inspired by this belief and has achieved these ends that I am telling the story of that country as an exhibit of what a state may become

when the primary producers and the ultimate consumers have achieved a working relationship through which a new society has been born.

To my mind, Denmark is the most inviting field of political and sociological study that the Western World offers. I discovered Denmark some years ago while writing a series of articles for a New York magazine. While in London, I learned that England bought her eggs, bacon, and butter from Denmark instead of producing them herself. I learned that these commodities had a higher quality than those of other countries. I visited the Danish Export Society in London. I found that it was a farmers' cooperative and served as a sales agency for Danish farm products. The manager told me that I could find not only the village but even the farm from which an individual egg came, if I desired to do so.

I went to Copenhagen and visited the offices of the central cooperative society. From there I was directed to an inland town. From this point I visited a number of Danish farmers, the rural folk schools and the credit agencies maintained by the cooperatives. I even found the farm from which a single egg bearing a local marking had come, which egg had been served to me at breakfast in a London hotel. I found myself in a commonwealth of farmers, ruled by farmers, where all the agencies of the state, of education, and of a vast number of cooperative enterprises were consciously dedicated to the promotion of the well-being of the farmers. As a result of this visit I wrote a little book entitled "Denmark, a Cooperative Commonwealth Ruled by Farmers."

Denmark, I found, had about the same distribution of population between agriculture and manufacturing that we find in the United States. I found that it was a country with few millionaires, but with a very high standard of living for all classes. There were no rural or urban slums. There was no illiteracy. There was an economic and political democracy, as well as an equality between the sexes, that was not to be found in any country with which I was familiar in the outside world.

### A COUNTRY IN DESPAIR

In the eighties of the last century, Denmark was confronted with a farm collapse as complete as that of the United States. To many it appeared to be an irremediable collapse. The nation was in despair. One finds the word "despair" running through the literature of that period. The growing of grain had been the main agricultural industry, but the opening of the American West had all but destroyed the Danish grain trade. A German tariff wall had been

erected against Danish livestock. As a result of the disastrous war against Prussia and the loss of Schleswig-Holstein in 1864, Denmark was apparently threatened not only with economic ruin, but with financial and political collapse as well.

In less than two decades the Danish people changed all this. They changed it without aid from the outside world. The country literally rose from the ashes. Today Denmark is the outstanding exhibit of what a country can be made by wise statesmanship on the one hand and by an aggressive assertion of scientific principles and human rights on the other.

One characteristic of American politics today is that we are not afraid. And we have lost some of our nationalistic self-complacency. We are looking out over the world for exhibits of democracy and of the political state. We are looking to Italy, Russia, Germany. Wherever the political state is alert we are observing, to get suggestions of what our own country may be made to be, and we are using a new type of mind in this inquiry as we never used it before. We are using men from the universities who are bringing to the Government not only their intellectual honesty and detachment, but the same kind of training that industry has used during the last 20 years.

The "brain trust" in politics is in all respects like the brain trust that serves industry and finance.

The Danes found their "brain trust" among the farmers themselves. In time they converted these farmers into salesmen, exporters, bankers, and statesmen. That is one of the significant things about this little country. It went back to the grass roots, to the neglected farmer, for leadership. And it found that leadership, and in finding it, began to rebuild a collapsed society. Today the average Dane is highly educated. Real culture has been created along with economic recovery; and that culture is closely identified with the soil.

Denmark was the first country in the western world to have a planned society. It preceded Russia and Italy. It was planned much as our cities are planned, but it cut deeper into old traditions and interests. The elements in this planned development are the following:

### ELEMENTS OF PLANNED DEVELOPMENT

First, the Danes recognized the importance of credit and the necessity for credit agencies which are completely under the control of the farmer himself. They recognize that a banking system under the control of industrialists is an insecure foundation on which to build. The farmer must have his own credit agencies, and these agencies must be like the tools he uses on his farm. They must be

local, intimate, and woven into his entire economic life. I would place a democratized credit first in the agencies which have been brought together for the rebuilding of this little state, as I would place it first in any agricultural program.

This credit began with the man farthest down, in the form of small cooperative banks, which local banks in time expanded into a central bank at Copenhagen. This central bank was a bank of rediscount. It was more than this. It nursed, oversaw, and protected the needs and the possibilities of the cooperative movement, as it mobilized the credit resources of the farmer and utilized them exclusively for the farmer's needs.

At the bottom of this credit structure, and vitalizing every other cooperative agency, was a baby bank. It aided the members to purchase fertilizers, feed, tools, and machinery, to stock their farms, to build new barns, and to improve their breeds.

### THE COOPERATIVE MOVEMENT

The second element is a nation-wide cooperative movement, first among the farmers and later among the city dwellers. In the rural districts, the cooperative movement is a producers' movement as well as a consumers'. It is a conscious alternative to state socialism. It had very little aid from the State, but in time it became integrated into the political structure. The objective was an agriculture that would be a complete entity within itself, in which the farmer would be his own salesman as well as his own producer. The farmer decided to keep for himself the profits which had gone to the distributor.

The farmer is also a wholesale cooperative buyer. He has projected these cooperative agencies until they are almost coextensive with his life. The Danish farmer is often a member of more than a dozen cooperatives. They embrace all his production activities, as they include most of the buying of supplies and consumers' goods. The daily life of the farmer is that of a business man.

The farmer has established associations for the buying of fertilizers, feeds, and supplies of all kinds; also insurance agencies. There are central cooperatives in Copenhagen for wholesale buying and selling. Selling agencies were set up in London to dispose of butter, eggs, and bacon. Cottonseed feeds were bought in the United States and soybeans from the East, while steamships were chartered for the handling of the collective import and export business.

An enumeration of the different types of cooperatives which have been developed would fill several pages. The most important in volume and in their effect upon the country are the following:



Types of cooperatives	Number of societies	Percentage of total business	Approximate money turnover per year (millions of dollars)
Dairies-----	1,403	82	130-140
Butter export association-----	11	40	50
Packing plants, bacon factories-----	62	83	125
Egg export association-----	700	25	6

The cooperative movement began with dairying, early in the eighties. It became an immediate success. The cooperative dairy has almost put the private dairy out of business. In this little country there are 1,403 cooperative dairies.

Equal in importance is the cooperative pork packing industry. This little country is only twice the size of Massachusetts and one fourth the size of Iowa. Yet it has 62 packing plants, and had in 1930 a killing of more than 7 million hogs. There is a slaughterhouse within easy reach of every farmer, so that the costs of transportation and marketing are reduced to a minimum. Yet there is a sufficient volume of business for the efficient operation of these 60 plants. The average cost of these packing plants is \$85,000. They are operated by experts. They save to the farmer the processing profits of this industry. The turnover of the packing plants is \$125,000,000 a year. They do 83 percent of the volume of the business in the country. Thus it appears that packing is not an intricate business, nor one that needs to be centralized. The Danes have exhibited the fact that a packing plant may, and probably should be, a local enterprise.

The manufacture and export of butter is handled in the same way. These cooperatives do 40 percent of the butter export business and have an annual turnover of \$50,000,000.

The pocket money of the Danish farm wife is protected by the Cooperative Egg Society. There are locals which collect, pack, ship, and sell eggs, not only in Denmark but also to the outside world. Danish eggs are also recognized for the freshness and evenness of their quality. The egg cooperatives have 700 local collection agencies and a total membership of more than 145,000. They do 25 percent of the business and have an annual money turnover of \$6,000,000.

By these means the farmer has almost completely exiled the middleman. To a large degree he has become his own marketing agency. He sells his own products. He adds to his income in this way.

## GRADING AND STANDARDIZATION

There is another contribution which the Danish farmer has made to agriculture and to the recovery of that little nation. The Dane insists that his products shall come up to a high standard of quality. Much as a hallmark is impressed on silver, so a certificate is impressed on Danish butter, eggs, and bacon. In consequence, these products are recognized the world over for their quality. They bring a higher price than similar products from other countries. The farmer had to do this for himself. The private distributors refused to grade and standardize their products, and it was only through the recognition by the farmers of the value of such standardization that they are able to enforce it. And they enforce it upon one another rigorously. The farmer who refuses to abide by the established grades is subject to fines and other penalties.

## POLITICAL IMPLICATIONS

Issuing out of this cooperative movement there is something intangible, which cannot be described but which has created a new agricultural life. The identification of the farmer with his cooperative societies has trained him in accounting, in marketing, in politics, and in a concern for every activity that affects his economic life. It has created a new morality in which the spirit approximates the ideal of "all for each and each for all." While in Germany state socialism has been relied upon for such services as these, in Denmark the end has been achieved by the voluntary cooperative association of the people themselves.

There is a close correlation between all these things and the relation of the Dane to the political state. The farmer has been educated through his cooperative societies, through the press, and through other economic contacts into a political philosophy of his own. He is a convinced free-trader. He recognizes the value of free and open access to the outside world. He realizes that if he would sell he must also buy; that trade cannot be one-sided. One explanation of the high standard of living of the people is this free access to the best that can be bought, wherever it can be found.

The Danish farmer is his own statesman. He has gone into politics. He has elected his own representative to Parliament, he has taken over the ministry, and year by year has molded and shaped the State to be reflective of his peculiar interests. This farmer control has resulted in a more or less completely planned society. In recent years the political drift has been away from farmer control to a worker-farmer control. The railroads, the telephones, and the

telegraphs are owned and operated by the State. Transportation is used to aid the farmer in the marketing of his goods. Passenger fares encourage travel. They are about one third of the American fares, and the State railways are now introducing stream-lined trains, traveling at high speed. The railways of Denmark are treated as highways in the fullest sense of the term. They are instruments to serve a social purpose, rather than for private profits by a separate class.

### EDUCATION

There is a final factor that should be noted, and that is education. The Danish Folk School is a school for adults. It is one of the most vital educational agencies in the world. It integrates culture and work with daily life. Plant growing and conservation of the soil is an object of affectionate interest based upon a trained understanding of nature's processes. The culture of the country has literally issued from the soil. There are more newspapers read per capita in Denmark, and a higher degree of intellectual curiosity about all kinds of subjects, including political and cultural ones, than in any other country with which I am familiar, as there is a type of statesmanship which is more nearly reflective of the interests of the usually neglected and forgotten classes.

### ANALYSIS OF DENMARK'S RECOVERY

The result of these democratizing agencies is to bring about what is in effect a consumer's society. The worker has benefited along with the farmer, and the workers and the farmers constitute the majority of the population. And if we analyze the elevation of this little country, which has been achieved in 50 years, we see that it had its beginnings with agriculture; that with the improvement of agriculture, prosperity and well-being spread to all other classes. Ultimately, the major economic forces of the nation, such as credit, transportation, and marketing, became instruments of service rather than agencies of profit. They have been dedicated to a different type of society than that which prevails in other lands.

This recovery issued out of an economic collapse, as it was inspired by what had been the most neglected element in the nation. The recovery of Denmark came from the bottom rather than from the top. It was the work of many people rather than of a few people. It is not only an exhibition of industrial well-being, it is a recognition of the potentialities of democracy as well.

## A COMPARISON WITH AMERICA

Let us compare what the farmer has done for himself in Denmark with what has been done to the farmer in the United States by our commercialized distributive system. The statistics of spreads and margins which are available are inadequate. They do, however, give the approximate cost of the processing and distribution of our commodities.

Dr. Frederick V. Waugh, of the Bureau of Agricultural Economics, in an address before the American Farm Economic Association in Philadelphia last December, quoted an estimate that the total marketing bill of the United States for the year 1929 was \$27,000,000,000. This estimate is made up as follows:

Cost of operating retail stores-----	\$14, 000, 000, 000
Cost of operating wholesale houses-----	6, 000, 000, 000
Manufacturers' cost of selling-----	3, 000, 000, 000
Freight transportation-----	4, 000, 000, 000
Total-----	<u>27, 000, 000, 000</u>

According to this estimate, almost one third of the income of the United States in 1929 was used to pay for marketing goods. Dr. Waugh says that this "estimate is certainly conservative."

Taking the five major types of farm products of the country, comprising 78 percent of the total value of foods consumed, a rough estimate shows that the value received by the producer in 1929 was 40 percent of the total retail value of \$19,021,000,000. In other words, the farmers received \$7,566,000,000, while the consumers paid \$19,021,000,000 for the finished products.

In recent years the farmers' share of the consumers' dollar has been growing less and less. For instance, in the case of 14 important foods it is estimated that in 1929 the farmer got 47 cents, while the distributor and processor got 53 cents; in 1931 the corresponding figures were 38 cents and 62 cents; in 1932, 33 cents and 67 cents; in March 1933, 31 cents and 69 cents.

Recovery under the Agricultural Adjustment Administration reversed this drift to some extent. In November 1933 the farmer got 36 cents of the consumers' dollar, while the distributor and processor got 64 cents.

Put another way, typical monthly purchases per family, of 14 important foods, cost \$26.11 in 1929. Of this the farmer received \$12.40, while the processor and distributor received \$13.71.

In 1932 the average cost of these foods was \$16.78, of which the farmer received \$5.54 and the processor and distributor received \$11.24.

As to dairy products, the farmer received 52 cents of the consumers' dollar in 1929, while he received but 37 cents in 1932, and 38 cents in 1933.

As to wheat products, the farmer in 1929 received 23 cents of the consumers' dollar, while in 1933 he received but 17 cents.

As to meats, the farmer received 53 cents of the consumers' dollar in 1929, 35 cents in 1932, and 38 cents in 1933.

In this exhibit of these two nations we have two different approaches to the problem of the farmer. In one nation the farmer is his own processor, his own manufacturer, his own distributor, his own salesman. Agriculture is a self-contained industry, like the steel trust. In the other exhibit, the farmer entrusts to others the processing, the manufacturing, the distribution, and the selling of his products.

Now, it is an interesting statistical fact that the gross income of the farmer in 1933 was almost exactly the same as the gross income of the factory employees. There is apparently an underlying principle in this parallel. Factory wages and farm income go hand in hand. If, therefore, we can increase the farmer's income by absorbing to the farmer some of the costs which now go to the distributor, we can confidently expect an increase in factory pay rolls as well. If agriculture in America could be made a self-contained industry, and if the returns of agriculture could be increased in amount, the pay envelope of the factory employee might be increased by a like sum.

### THE LESSON OF DEMOCRACY

There are many lessons which this little country offers which cannot be described. They can only be felt. There are likewise many things which give comfort to those who despair of the political State being other than an agency of privileged interests which use it for their own ends. Denmark has demonstrated the fact that civilization *can* be controlled in the interest of all of the people; that by cooperative efforts and the control of the State in the interest of all classes, poverty *can* be ended, economic security *can* be guaranteed, and want and fear *can* be exiled from the minds of millions who in other countries constitute the "forgotten" classes or the submerged tenth.

Special interests use the State to gain privileges for themselves; privileges which of necessity involve burdens which must be borne by others. These privileges are economic; they involve a stranglehold; usually a stranglehold on the political State as well as the economic instruments within the State. Denmark, too, recognizes the potentiality of the State for good; for good not to the few but for good to the whole, and Denmark has ended that hopeless submerged life which is the lot of millions in practically every other nation of the Western world. It is the State's use of its own instrumentalities for the well-being of all its people that makes this little country stand out in the contemporary world.

There is individualism in Denmark; all but complete individualism, an individualism that finds the game free from favors and opportunities open to all on something like equal terms. A man who is ready to do so and is willing to equip himself for the opportunity can have a little farm provided for him, equipped and ready for use. He acquires this little farm by his own character on the one hand and, on the other hand by community credit which is generously extended to him. No longer need he be an oppressed tenant. Tenancy, as a matter of fact, has been all but exiled in this little country, a country, too, which a few generations ago was still largely in the possession of great landowners whose properties had descended to them from feudal times. This widespread distribution of land ownership is of the essence of Danish democracy. It expresses the courage and self-reliance of the people. For they work for themselves rather than for another. Back of other elements in democracy is an economic basis, an economic basis which springs from security in the possession of one's economic tools.

Out of all these things there had sprung a peculiar kind of culture that is felt by all visitors to Denmark. It is a culture of women as well as of men; a culture which is closely related to every-day work and talk, which discloses an intense interest in literature, in the drama, in the fine arts, and in human relationships as well. The educational system that exists is a cause and an effect of the extreme democracy of this country. It, too, is a creation of the people to satisfy their individual wants. The principal of a People's High School is a leader within his community; his leadership is willingly recognized and cannot be challenged by any special interests. These People's High Schools have spread into the Scandinavian countries; they are recognized by educators as among the most efficient educational agencies in the modern world.

Thus we have a rounded State in which the political life, the economic life, and the cultural life are closely related to three agencies. These are the secure possession of a homestead; a cooperative movement which trains the membership and which encompasses almost all of the activities of the individual; third, a political State which is truly democratic in that it recognizes all classes within the community and reflects the will of the great majority. It is out of this combination, which so far as I know is not found elsewhere in the world, that this little country has achieved recovery, and along with it a planned system that forms an outstanding exhibit of democracy in a world that is turning to political and social experiments for the solution of its problems.

## COOPERATIVE CREDIT AGENCIES IN AMERICA

CREDIT UNIONS are of interest in that they increase purchasing power on the one hand, and on the other hand protect consumers from extortionate rates of interest. They are "baby banks", which provide credit to persons of small means.

LOANS are made only for useful purposes—for provident purposes which promise a real benefit to the borrower.

AMONG FARMERS the credit union lends money for food, stock, or tools, etc. To city borrowers it lends money to enter small businesses, to buy tools and machines, and to pay hospital fees, etc.

INTEREST RATES on loans are moderate. Thus the necessitous borrower is rescued from the loan shark who exacted 30, 40, and even 100 percent per annum. The special feature of credit unions is that they are of the people, by the people, and for the people they are to serve. They are cooperative banks.

CREDIT UNIONS can be organized within industries, or by groups of Government employees, or in small farming communities, or in social settlements, or other such groups.

IT IS CLAIMED that no failures have occurred among these little banks during the entire depression.

ONE REASON stated is that the loans are for useful purposes. Another reason is that the loans are made with great care and watched over by those who make them. For most credit unions are community as well as cooperative affairs.

TEN YEARS AGO we had few such banks in this country. Today there are nearly 2,300. They are growing very rapidly.

THEIR MEMBERS number nearly half a million, and their resources more than \$65,000,000. More than 3 such banks are organized every business day in the year.

\$19,000,000 has been loaned by the Municipal Credit Union of the City of New York to 84,000 borrowers. There are over 300 credit unions among postal employees, whose savings amount to \$7,000,000. New England Telephone & Telegraph Co. employees have 8 credit unions, which have loaned 17,000 employees \$18,500,000.

20,000 such people's banks are to be found in Germany. They are in every country in Europe, as well as in Africa and Asia.

IF YOU want to know more about credit unions write to the commissioner of banking of your State, or to the Credit Union National Extension Bureau, 5 Park Square, Boston, Mass., or to the Consumers' Counsel, Washington, D.C. Most of the States have passed laws permitting them.

COMMERCIAL BANKS serve persons of large means. The credit union serves persons of small means. Consumer credit is safely provided by credit unions.



# THE COOPERATIVE IN AMERICA

HENRY A. WALLACE, *Secretary of Agriculture*

## “THE CLASSIC EXAMPLE IS DENMARK”

(Condensed adaptation of address before the American Institute of Cooperation,  
July 24, 1933)

It seems to be strikingly true just now that the cooperative ideal has much more palatability for the American people than the competitive ideal. Both the Farm Act and the Recovery Act may be submitted in evidence. If your interest lies in the progress of the cooperative ideal, then you have a right to feel tremendously encouraged.

COOPERATIVE MOVEMENT A SOCIAL MOVEMENT.—Basically the cooperative movement is a social movement. It makes a profit not for the few who supply the cash, but for the many who supply the work. What the cooperative leader ought to be concerned about is the extent to which the cooperative makes a social return. A cooperative is not a corporation. It is particularly, I hope, not one of those modern corporations in which the owners are not the managers, and the managers not the owners. The old idea of one man and one vote may well have a fresh meaning today for our cooperatives.

ADVANCE OF COOPERATIVES INEVITABLE.—In a program such as our wheat plan sets forth, calling for county associations of growers in all the leading wheat counties, it is almost inevitable that the cause of all cooperatives will be advanced.

BRING CONSUMER CLOSER TO FARMER.—More and more it seems to me that the true reason for cooperatives is to bring the consumer closer to the farmer, and in a more vivid way. There is a tremendous job to be done in this field. The dairy cooperatives have already accomplished some remarkable things, but results in the grain and livestock fields have not been very tangible.

CLASSIC EXAMPLE IS DENMARK.—The classic example, of course, is Denmark. The problem of our cooperatives is of course much more difficult than Denmark's because of the variety of our producing areas and the volume of output, if not for other reasons; but the obstacles are not insuperable. The field is open, it seems to me, for the cooperatives themselves. Working in close relationship with

the Agricultural Adjustment Administration, the cooperatives can come to see this whole process from farmer to consumer as one continuous process.

HARMONY WITH ADMINISTRATION PROGRAM.—The administration is setting its sights on a high level of economic morality, and the cooperative movement, perhaps beyond all other organized groups, should find such a level congenial. We are asking business to effect a revolution in its relations to the public, for the change from a competitive to a cooperative attitude is nothing less than revolutionary. The cooperatives, presumably, have already effected such a revolution and their present task is to translate an attitude long known to be socially fruitful into deeds that will be in keeping with their social role.

