basis of paying the annual value instead of having to assume at once the present value of the indefinite series of annual values. The legislation proposed would be equivalent to prohibiting persons from acquiring the use of land as tenants, for, as no one can own land who does not farm it, conversely no one can farm land who does not own it.

It is true that much can probably be done by way of improving credit terms so that farmers who desire to purchase farms can do so on a smaller initial payment. However, we should not lose sight of the fact that a farmer is not always better off who incurs heavy mortgage indebtedness with a small margin of capital as contrasted with employing his capital as a tenant. From some standpoints his position is likely to be very much more precarious in times of changing prices and uncertain crops if he has assumed the fixed obligations involved in heavy mortgage indebtedness than it would if he had merely assumed the obligation to pay annual rent, especially on the share basis.

It will of course be obvious that this does not do away with the existing tendency for tenancy to result in inferior methods of farming and a wasting of land resources. However, it seems to me that we need to retain the benefits of a moderate amount of tenancy and at the same time to improve the system of tenancy so as to eliminate these serious objections.

I should not care for my remarks to be interpreted to indicate that I do not recognize the seriousness of absentee-landlordism. Indeed, I believe measures can be devised that can gradually reduce the extent of this and mitigate the evils. I merely mean to point out some of the dangers in the drastic policy suggested by the author of the paper to which I have referred.

DISCUSSION OF PAPERS ON TENANCY

THEODORE MACKLIN, University of Wisconsin.

The discussion of tenancy and farm credit presents two points upon which there is very little adequate information. Land marketing may be developed for the sake of rendering the necessary transfer services from retreating farmers or owners to prospective or newly enlisted farmers, or it may be promoted for the purpose of gaining maximum profits from the marketing business. These two objects, in practise, react very differently upon land valuations. And certainly there appears to be a very close connection between land valuations, the rate of investment turnover, and the extent of tenancy. Naturally the credit facilities tend to mitigate or complicate the difficulties presented by high valuations.

The facts obtained in a recent Kansas Experiment Station Investigation throw some light upon this problem in the way of suggestions. The tabulations show that 2533 farmers who own their farms have been owners for an average of 19.1 years. Making allowance for the fact that the number of young farmers recently acquiring farms is greater than for the older groups, it is likely
safe to assume that the average duration of farm ownership in Kansas, during a period of 40 years, is approximately 25 years. Thus each farm is changing ownership about four times in 100 years.

If we consider next the data regarding duration of the hired man step, and the tenant step it is found that in the period before 1875 laborers served as such for 4.2 years, while in 1915 to 1919 they served as laborers for 5.5 years. The increase in the hired man step during 40 years was therefore less than 32 per cent. The men who served as tenants in the period before 1875 did so for 4.1 years while in the period 1915 to 1919 the tenant step covered 3.4 years. Thus the length of the tenant step during 40 years has increased over 129 per cent. The increase of the tenant step, which so largely hinges upon land values, has been more than four times that of the hired man step, which is regulated more nearly by the task of acquiring minimum tenant operating equipment. With the increase both of the hired man and the tenant steps it is not surprising that the age at time of gaining farm ownership should have increased from 20.9 years before 1875 to 34.7 years for the period 1915 to 1919. This represents a postponement of ownership for 13.8 years, within a forty year period.

The problem as outlined by these facts is certainly becoming more and more acute. If dealing in land is to be considered as a marketing service then certainly adequacy of service and lowering of the costs of the service should be emphasized. Development of land middlemen services to gain what the traffic will bear, even under competitive conditions, has in the past hardly resulted in the conditions which are rapidly coming to be recognized as essential to the progress of a permanent American agriculture and of healthy rural development. Those reform suggestions which have been made call for increased credit from sources such as The Federal Farm Loan System, which is already in operation, with a view to enabling young men to buy at an earlier date. Proposals to modify the Federal Farm Loan System and permit the lending of from 60 to 90 per cent of the value of farms overlook the considerations of safety and of responsibility whether of an individual or of a community character, in spite of their importance in any extensive, practical plan of financing farmers.

What the country needs is some plan of credit arrangement to supplement the Federal Farm Loan System, which now takes the first mortgage, by adding a system which will lend money on second mortgage or character and determine character as the basis for proper selection of those to whom credit is to be granted.

In order to present a clear understanding of this criticism let us use as an example a Kansas farm community. Call to mind, if you will, as nearly as possible, the needs and responsibilities of both the community and its several individuals. With this as a background critically examine, if you please, any proposals to provide supplementary credit arrangements that might improve
upon proposed enlargements of the percentage loan now given by the Federal Farm Loan System.

Roughly speaking this Kansas community comprises a territory of 100 square miles embracing 250 farms. Of the 250 farmers located in the community 40 per cent or 100 are tenants while 60 per cent or 150 are occupying owners. If there were no tenants, and if owners retired from farming after 25 years of farming as land owners, each farm would change hands four times in a century on an average. Thus each year this Kansas community would find 10 farmers retreating and leaving an opportunity for each of 10 young men to fill. If the 250 farm families averaged only four children per family of which two were boys there might then be 20 young men aspiring to only 10 opportunities. If retiring farmers were enabled to sell immediately, thus averting tenancy altogether, only half of the available men could receive opportunities, assuming that farms remained constant in size. Hence some sort of selection would occur in determining which of the given two are to obtain a certain farm. The character of this selection, whether the more capable, energetic, ambitious person is retained for the farm is vital alike to the community and to American agriculture.

When retiring farmers retain ownership of their farms after ceasing to cultivate the land themselves, tenancy is unavoidable. The length of the tenancy step is directly occasioned by the inability of young men to finance or otherwise obtain ownership of the farms owned by those not cultivating them. If the inability to purchase is due to inadequate cash and credit and this can be overcome by the young man in one year’s time as a tenant, tenancy would amount to only four per cent. If on the other hand it takes about 9.4 years for the young man as a tenant before he can move to ownership tenancy would approximate four times 9.4 or 37.6 per cent as it practically did in Kansas in 1910. To check on this, the data gathered by the investigation indicated that the tenant step in the period 1880–1885 took about 5 years, so that one would expect to find the percent of tenancy at that time about 20. In 1880 it was actually 16.3 per cent and in 1890, 28.2 per cent, so that 20 is a very close approximation.

In the absence of factors other than mere lack of cash or credit, virtually all of tenancy could be eliminated, provided a system were designed to effectively supplement the Federal Farm Loan System by selecting the best men and lending them funds on second mortgage. The agency lending funds from a distance upon its own responsibility cannot safely go beyond a first mortgage limit of credit. To provide the machinery for safe lending beyond 50 per cent of valuation would require an overhead expense that would become prohibitive.

Reasonable solution of the tenancy problem will probably find it necessary to rely upon the local community to render the services of character selection and handling of second mortgage funds. It is the local community and not the long distance agency that gains by having an energetic capable man retained as farmer and owner.
of each farm that requires a shift of management. The same community profits most by the maintenance of soil fertility, the creation of marketing organizations, improved social relations, churches, good roads and all of the other assets promoted by owners but usually forgotten by tenants. For these reasons, if tenancy is to be alleviated by a credit system, as far as that may be effective, the local community must awake to the fact that all that can come from the distance is already provided. It must realize that what remains to be done must come from its own sense of responsibility, public interest and ambition for its own home-reared young men.

Taking our Kansas community again for illustration, the value of 10 farms changing hands each year would be about $30,000 each or $300,000. Since the Federal Farm Loan System provides about $150,000 on first mortgage the local community would need to provide for the remaining $150,000 less whatever amount the buyers were able to pay down. Taking the minimum average deposits of farmers, ranging from $600 to $700 in one Kansas community, 240 farmers have from $144,000 to $168,000 continuously on deposit at very low rates of interest if any at all is paid. If reasonable interest were paid deposits would vastly increase. To start such an experiment almost any community of farmers has adequate funds. A state authorizing law would be required however, to permit farmers to combine savings for such a program. Once started the local organization could attract the savings of retired farmers and others, thus diverting funds from being invested in land to that of investment in reliable bonds. The money thus secured would aid in making, of new farmers, permanent occupying owners. The funds would then create new assets for the community, instead of contributing, as at present, to the bidding of land values to a point far above the immediate productive worth of land. Excessive land values mean high taxes to owners with few, if any, advantages to offset this liability. Each new occupying owner on the other hand intensifies the interests of the group and contributes to the general welfare of the locality. The cost of reducing tenancy evils by some such program as this is small compared with the great benefits which can be developed. Certainly local knowledge and contact is required to make possible effective selection of merrit or to warrant safe lending on second mortgage. For these reasons it would be inadvisable to urge that the Federal Farm Loan System lend a higher proportion of farm valuation or to attempt to engage in a second mortgage business.