

FOOD PLENTIFUL ENOUGH IF PROPERLY DISTRIBUTED

System Designed to Maintain Prices and Support Profits Must Yield to Effective Governmental Supervision—The Job Is Too Big for One Man

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AMERICA'S most imminent war problem is to subsidize a considerable proportion of the armies of her European allies, to feed an immense army of her own, and to maintain her civil population—and this for an indefinite period. In facing this problem, it must be realized by those who direct the public policy that our people of all classes do not realize the extreme nature of the situation, and will not voluntarily submit to an economy of food which should pare consumption to the very line of physical efficiency. We too long have been accustomed to unstinted appetite to become consistently patriotic at feeding time until an actual restriction of supplies is upon us.

The writer recalls one of Aesop's fables in which a controversy arises as to the relative merits of the head, the hands and the stomach. Many of the contemporary discussions of the food problem, like the contentions of the fable, are so particularized as quite to neglect a part of the several equally important and necessarily coordinate aspects of the subject. Just now, for example, the emphasis is largely upon the volume of farm production. Certainly, cropping is the foundation of the economic structure necessary to see us through the coming crisis. But the making of crops is not all. There must follow the equally important, and probably more difficult, tasks of organizing the distribution and use of supplies. These tasks are quite as technical in their way as farming, and they are not to be undertaken casually as a sort of after-supper job by the same agencies that attend to the management of sowing and harvesting. The work of the farmer, and of the Department of Agriculture ends with the harvest. The Secretary of Agriculture has a man's size job in the direction of food production. His department is fitted in neither personnel nor organization to control the distribution of farm products or to regulate prices to be paid to the farmer or at retail for food.

Plain Talk in
Regard to Farmers

Right here I wish to pay my respects to a doctrine which seems about to be made official by act of Congress—the doctrine that the people of this country must guarantee to farmers a profitable price for their products as a condition to the enlistment of their efforts in the present crisis. Is it not clear that, as things stand, the farmer has already taken heavy profits in war production? Even now, price prospects are all in his favor, and his risk, in any event, can involve only a year's income. Can Congress be blind to the fact that the war will involve a tremendous personal net loss in life and property? Why should the farmer, remaining in physical safety far behind the lines, invoke the government to exempt him from any share in the personal risk of the nation's defence? As well might our young men require a guarantee against financial loss and personal injury as a condition of enlistment in the fighting defenses of the country! The disloyalty of farmers and business men who refuse to enlist their material resources in the promotion of this war without guarantee of profit is subject to universal contempt, and the motives of politicians who back such a measure are equally subject to suspicion. He is most certainly a dwarfed patriot who asks or accepts financial immunity when so many are laying their all upon the altar of civilization.

Since so much is already being done in the promotion of food production, that phase of the problem we will dismiss with the statement of an economic maxim which appears self-evident, yet will be widely disregarded because it places the welfare of the consumer and the nation above the financial interests of the producer. It is this: The kinds and amounts of food products to be raised and manufactured, should be officially determined with the object of realizing the largest possible nutritive value (not market value) with the resources available.

Much is being advocated and very little is being practised with regard to the domestic economy of food. A practical start will actually have been made toward a prudential use of foods when rich and poor shall dine equally well upon whole wheat bread, pot roast and vegetable stew; when breweries and distilleries, candy shops and elite restaurants are boarded up, and when a large proportion of our domestic servants are released to more productive occupation. No doubt the consumption of food in the United States can be

decreased by one-third with less discomfort than would be required to increase production by an equal amount. In other words, it would be easier for us to save 30 per cent more than to produce 30 per cent more. And, if we are so thrifty as to accomplish both, we will realize enough food in one year to supply our own wants for a period of two years, or to feed France and England in addition to ourselves.

Distribution promises to be the most difficult part of the food problem. Abundant production and prudential consumption are quite futile if the various kinds of food stuffs are not made available in correct proportions, at the right place and time, in good condition, and at reasonable prices. We have absolutely no effective administrative machinery which will bring about this correlation of needs, amounts, time and place in the distribution of supplies. Jobbing, wholesaling and commission establishments and their business practices are entirely unfitted to accomplish an equitable, cheap and expeditious distribution of supplies. They are designed to place goods where and when they will bring the highest prices, and in such classes and quantities as will maintain prices and support profits. We must now have a distributing system which will concern itself with food values rather than with market values. Food distribution must cease to be a matter of private speculation and be recognized as a public service. It has, by force of circumstances, become a matter of primary public concern—possibly, of

national existence—and, indeed, a public utility of the first order.

Now, in the field of public utilities, the necessity of regulation is universally recognized—regulation of ways and means and regulation of prices. And in the regulation of public utility rates, conditions of scarcity, monopoly, and the purchasing power of the well to do—which are the determinants of prices in private business—are no longer considered relevant. In their stead, the bona fide cost of production is the basis of fair prices for such commodities and services as are of immediate public concern.

There has been no change, save a slight advance in wages, in the production costs of meat, cereals and sugar during the last year upon which to justify the 50 to 70 per cent increase in retail prices. War prices, thus far, have been scarcity prices—not based upon cost of production, but upon "all the traffic will bear." From now on our distribution must aim at efficient food service at prices approximating average costs of production. Even in the face of great scarcity, foods should become cheaper. It will not well become the producers and dealers to longer exploit the distress of a nation by demanding premium prices. We know, of course, that the farmer and the merchant, if uncurbed, will endeavor to do this. We will very soon realize that the situation calls for price fixing and income taxation upon a scale never before seriously contemplated in this country. Equity in food distribution has been the matter of gravest

concern in European countries. We must not repeat their mistakes. Their experience proves that government control must be absolute. Regulation must not be confined to the ways and means of distribution and to the fixing of cost prices upon staples, but must direct the determination of amounts available for export, for the army, for each state and city, and, possibly, for each family and individual.

In view of conditions, we cannot escape the conviction that the policy of food economy which is adopted by the United States may prove to be the decisive action in winning or losing the war. Extreme measures of regulation must be provided, and probably resorted to at a very early date, which will direct every process from the selection and consignment of seeds to the final distribution of farm products, including price making, and even the manner of food utilization by consumers.

Task Too Big for Single "Dictator"

To administer these policies is a task quite beyond the grasp of any personal "food dictator," nor will the widely diffused interests and personnel of existing "councils of defence" admit of an adequate and scientific handling of the food problem. Sooner or later, the task is bound to fall to a highly specialized Federal agency, which will be closely coordinated with state and local agencies. The local agencies should, in turn, be closely allied with cooperative associations of producers and dealers.

The proposed Federal agency should be headed by three men of economic training and experience. (Here we are dealing with a purely economic question, which should be entirely in the hands of expert economists.) This board should be vested with mandatory powers and should be permitted to use, and, in so far as is feasible, to work through existing Federal departments. There should be an advisory council composed of representatives of the Department of Agriculture, the Bureau of the Census, the Quartermaster General's Department, the Federal Trade Commission, the Department

of Labor and the Department of Commerce. State boards should be similarly constituted, including, perhaps, governors and the attorney general on the executive staffs, and having advisory councils composed of representatives of associations of producers, distributors and retailers. The local boards in counties and cities should be similar to state boards in their organization and personnel. Such boards should have power to search for and inventory foodstuffs, require reports, commandeer supplies, determine proportional distribution, and, when necessary, to fix prices. Local boards should be subordinate to state boards, and the state boards subject to the Federal board.

Jobbing, wholesale and commission businesses should be placed under state and national incorporation, subject to the direction of the above mentioned Federal and state boards, exactly as banks are now organized under the Federal Reserve Board. Their capital should be known and audited, and their methods prescribed and subject to supervision. They should make weekly reports as to stocks and sales, and their annual earnings and dividends should be limited to a reasonable return on their investment.

Just a few words should be said here about railway service and food storage. The attempt to dissemble the causes of food prices by placing responsibility upon exorbitant freight rates and unfair storage practices is quite unjustified. The extent to which freight rates enter into food prices does not, on the average, exceed 5 or 6 per cent of the retail price. Never has the cost of transporting foodstuffs been so low, or so small a part of the retail price, as in the United States at the present time.

Cold storage is the greatest boon that could possibly have come to the consumer. Cold storage operators should, of course, be kept out of speculation. This is a simple matter of regulation. They should be subject to supervision, required to release products upon official orders, and, in their charges, confined to the actual cost of preparing and storing perishable supplies.

In China the Contents of a Pay Envelope Are Deceptive

Owing to Wide Fluctuations in the Price of Silver the Purchasing Power of Fixed Incomes Constantly Varies—Employees Hard Hit by Recent Rise

IN THOSE portions of the Far East where silver is the common basis of currency and forms the principal medium of exchange the spectacular rise in the value of the metal in the world's markets since the war began has developed many interesting aspects. In China, where silver is bought and sold like so much wheat or coal or meat, the steady upward climb in silver prices has vitally affected the economic and financial situation.

The money of China and the British colony of Hong Kong is based, at least for all the larger transactions, upon silver, the price of which in terms of gold determines the international value from day to day of the country or colony's entire monetary circulation. To-day, for example, China's silver circulation might be worth in terms of gold, say, for the sake of comparison, \$200,000,000. A month from to-day, by reason of a rise in silver prices throughout the world, it might be worth \$225,000,000, and then again it might decline to \$175,000,000 because of falling silver prices. In this constantly shifting ratio between silver and gold is found one of the chief reasons for the complexity of China's currency to the layman.

Since the war began and silver started on the upward movement that culminated a few months ago when the New York quotation touched 79 cents an ounce, compared with a pre-war level of around 45 cents, numerous vexatious problems have developed in China, owing to the constantly shifting value of that country's currency basis. The rise in silver prices finally reached a point where the thrifty Chinese began to take silver out of circulation and sell it abroad. In 1916 they are reputed to have sold upward of 50,000,000 ounces of the metal to India. This withdrawal of silver from circulation caused serious financial difficulties in different parts of China, and banks in a number of cities were compelled to close their doors temporarily. The situation finally became so acute that it was necessary for the governmental authorities to stop the export of silver from China without special permit.

One of the most interesting features of the Chinese currency system, and which has a direct bearing on the subject under discussion, is the fact that all money in China is not a coined representative of value supported by government authority, but is merely a barter—the exchange of so much merchandise for so much money of such-and-such a kind. In silver currency, which is the chief currency, the market value of the silver is the first consideration, and a silver coin is merely a convenient amount of silver.

Chinese Exchange Rates Deranged

Now, the rise of silver has had far-reaching effects upon the international exchanges between China and the gold-basis countries. Taking the average price of silver in London for 1913, 60.458 cents per ounce, British standard, as the basis, the average 1913 values of the Hong Kong dollar and the Shanghai tael were 47.16 and 65.49 cents, respectively. Assuming these to represent par, or 100 per cent, the accompany-

ing chart indicates how the war affected the value of exchange on Hong Kong and Shanghai. Before the war demand made itself felt and silver prices declined in 1914 and the fore part of 1915, the Hong Kong dollar fell to an exchange value of 42.70 cents, or 9.46 per cent, under its basic value of 47.16 cents. That price was touched in August, 1915, just a year after the war began. In the mean time, the Shanghai tael also dropped sharply, and in July of the same year touched 56 cents, or 14.49 per cent less than its basic value of 65.49 cents. Subsequently the bar silver market began to improve, as is shown in the graph, and both the Hong Kong and Shanghai currency units began to climb, the former rising to 58 cents in January, or 22 per cent above its basic value, while the latter went to 89.50 cents in February, or 36.66 cents above its basic value. Recently there has been a slight decline, corresponding to the decline in the price of bar silver.

Buying Power of Wages Shrinks

One of the most important effects of the rise in exchange on Hong Kong and Shanghai has had to do with conditions of employment throughout the Far East. The payment of salaries in Hong Kong or China on a gold basis in actual practice means that salaries are paid in silver currency at the rate of the day as fixed by the banks for purchase of drafts on the United States. This means a heavy loss to the employee who is paid on a gold basis. George E. Anderson, American Consul General at Hong Kong, discusses the problem at some length.

He says that when exchange is at 40 cents gold to the silver dollar the employee receives for his gold draft or gold allowance \$2.50 in silver for each gold dollar. When exchange is at 60 cents gold to the dollar, which rate has been approached in recent months, he receives only \$1.66 in local silver currency for each gold dollar, while the cost of living in Hong Kong or China has continued at the same rate or has actually increased because of the high rate of exchange. A salary based on gold but paid in silver varies in a way that neither employer nor employee can prevent or correct, except by fixing a fair rate of exchange from gold to silver, and basing payments upon that rate, without regard to the rate of the day. The whole difficulty, of course, is that a given amount of gold will now buy far less silver than it would three years ago, and the foreigner who goes into China and converts his gold into the native currency finds the purchasing value of his gold has undergone great shrinkage.

Practically all the commercial houses in Hong Kong that pay employees on a gold basis, which is customary in the case of employees or firm members brought out from Europe or the United States, have established a maximum rate of exchange, or in some cases a fixed rate of exchange, on the basis of which salaries are paid. The matter of fixing such a rate, however, is one of great difficulty, and usually it is fixed at the expense of the employer. Actual rates vary from 40 to 45 cents gold to the local dollar. The average of such rates, according to

the data in hand, is 43½ cents gold to the Hong Kong dollar. A few houses pay a bonus in lieu of fixed exchange, but usually this is unsatisfactory, and in case of commercial houses unnecessary. Fixing a change at a fair basis is unquestionably the only satisfactory way of dealing with the situation.

Difficult to Fix Rate on Fair Basis

The ordinary course of prices of commodities in Hong Kong is based upon the relation of silver to gold over a considerable period of time, and it is thought that a fair rate of payment of salaries in Hong Kong should be based upon this relationship. The average rate of exchange as fixed by the government for the collection of fees during eight years previous to 1916 was substantially 43 cents gold to the Mexican dollar. Including last year, the rate was substantially 45 cents, or including the ordinary bank profit during the last eight years, it has been about 45½ cents.

According to Mr. Anderson, an exchange value running over 47 to 48 cents gold to the silver dollar in Hong Kong is abnormal, and seldom lasts long. When exchange goes close to 60 cents, as it has during the last nine months, the rate is due to special conditions and does not represent a fair relation between the cost of living and a gold salary. Many deem it unfair that an employee or partner paid in gold should have his actual salary, which comes to him in silver, depend upon the fluctuations of the silver market. A salary paid in gold should, in their opinion, be exchanged in a salary actually received in silver at a rate that represents a fair relation to the cost of living in Hong Kong. Most authorities agree that such a rate is 42 or 43 cents.

Getting back to the silver market itself, one finds that, while the varying nations have been heavy purchasers of silver for coinage purposes, India has been probably one of the largest buyers. It is estimated that India's fresh coinage of silver in the last twelve months has been the largest for any similar period since the resumption of its mintage of rupees, seventeen years ago. It has been stated officially that the purchases made since February, 1916, were large enough to provide for the coinage of \$120,000,000 worth of new rupees. A large portion of the silver purchased has come from China.

Since the sharp rise of silver which occurred early in the year the price has declined substantially, but lately another upturn has begun and still continues. China has been a purchaser of the metal, covering bear sales or otherwise, but the leading influence in the market has been buying by the United States government for coinage purposes. A leading bullion house in London in discussing the silver market situation says that continued pressure to buy upon a starved market may possibly carry the quotation to a figure more tempting to speculative holders, or to a level at which Chinese sales of some magnitude will become profitable. The stock of silver in Shanghai on April 15 last consisted of about 28,000,000 ounces in sycee—that is, in the form of cast ingots or bars, and \$16,400,000 in coin, compared with about 30,600,000 ounces in sycee and \$16,700,000 on March 31 last.

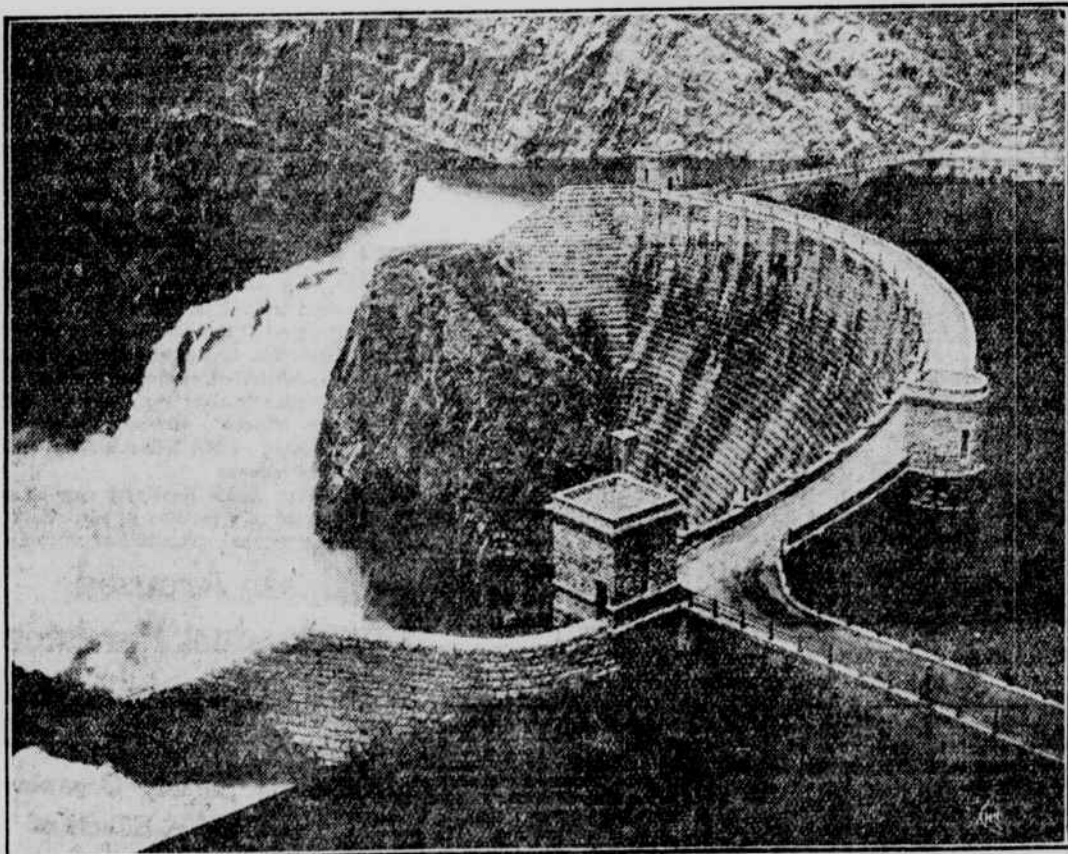
The Metamorphosis of Desert Lands

By HUGH A. BROWN,
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ON JUNE 17, 1917, the United States Reclamation Service will celebrate its fifteenth birthday. Fifteen years ago Congress passed an act setting aside the proceeds from the disposal of public lands for the survey, construction and maintenance of works for the storage and diversion of waters for the irrigation of arid lands in the Western states, and the Reclamation Service began its work of increasing the number of farm homes and extending the area of productive lands in the United States.

Although one of the youngest bureaus of the Department of the Interior, the Reclamation Service has for many years been a potent factor in the economic life of the arid region of the West. Perhaps a few statistics will best indicate how the service has practically added a new state to the Union during the last few years.

It is estimated that the total irrigable area of the reclamation projects at present constructed or under



In the above picture is shown the Roosevelt Dam, holding back the precious waters of the Salt River, Arizona, to be used as needed for irrigation. It is 280 feet high, 1,125 feet crest length, and the capacity of the reservoir is 1,367,300 acre-feet. Projects such as this have made it possible for mountains of alfalfa hay like that shown in the picture to the left to rise in the midst of desert lands which formerly produced nothing but cacti and sustained little life except prairie dog colonies. The particular stack which posed for the accompanying photograph represents two cuttings in one season from sixteen acres of land on the Minidoka project, Idaho. It weighed seventy-five tons.



tage of the provisions of the farm loan act, which at present they are denied because of the prior lien of the government for the return of the construction cost of the projects. Eliminating these small areas, there still remain 550,000 acres awaiting cultivation, including large tracts that can be handled to advantage by a single organization. It is believed that the passage by Congress of the so-called Taylor bill (H. R. 2913) will make it possible to put nearly half of this acreage into cultivation this year.

Briefly, this bill provides for furnishing water on easy terms for the cultivation of lands in private ownership; for the lease of uncultivated public lands and the furnishing of water therefor on easy terms; and, in case the Secretary of the Interior "finds it impracticable to otherwise secure satisfactory guarantee of the irrigation and cultivation" of public or private lands to which the Reclamation Service can deliver water, he may secure the cultivation, under contract or by government forces, of such public or private lands. The bill also provides for an appropriation of \$5,000,000 to carry out the provisions of the act.

The lands comprised in these 750,000 acres are in general suited for the production of wheat and other cereals. Alfalfa and other forage crops are almost uniformly successful. Potatoes, beans and other vegetable and truck crops can be produced on considerable tracts. Five or ten thousand acres of cotton can be added. Labor, of course, must be provided for preparing the land and starting cultivation, and it is estimated that with the passage of the bill 2,000 farm laborers would be needed at once, while several times that number would be needed at harvest time.

Based on the present outlook, it is estimated that, with ample authority and funds immediately available, the cultivated area on the reclamation projects may be increased, through special effort by the water users and the service, 300,000 acres this year (100,000 acres in small holdings and 200,000 acres of new lands) and an additional 250,000 acres in 1918. With the normal annual increase, this would indicate a cropped area on the projects in 1918 of possibly 1,700,000 acres, or an area capable of supporting approximately 200,000 people and supplying food for a couple of army divisions at the front.

construction in the seventeen arid or semi-arid states amounts to approximately 2,691,000 acres, comprising over 51,500 farms, capable of supporting a population of over 300,000 persons.

In 1916 the service was prepared to supply water for the irrigation of about 1,600,000 acres. Of this area about 950,000 acres were irrigated. Of the irrigated acreage 420,000 acres were covered by crop reports, and of this acreage 857,000 acres were cropped in 1916, producing crops of the value of approximately \$32,400,000. In other words, the cropped area covered by crop reports exceeded by 200,000 acres the cropped area of the State of Massachusetts in 1909, according to the thirteenth Federal Census, while the value of crops was considerably larger than that for many of the smaller or less developed states.

At the present time the Reclamation Service is prepared to supply

