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THE RURAL SOUTH: PROBLEM OR PROSPECT?



SOCIAL ACTION SERIES NO. 18

BY

REV. EDGAR SCHMIEDELER, O.S.B., Ph.D.

*Director, Rural Life Bureau,
National Catholic Welfare Conference*

The pamphlets in the *Social Action Series*, of which this is the **eighteenth** number, are edited by the Social Action Department of the National Catholic Welfare Conference. They represent an effort to present to the general public, and especially to Catholics, a discussion of current economic facts, institutions and proposals in the United States in their relation to Catholic social teaching, particularly as expounded in Pope Pius XI's Encyclical "Forty Years After—Reconstructing the Social Order" (*Quadragesimo Anno*). In the spirit of that Encyclical they are urged upon and recommended to individuals, study clubs, discussion groups and school classes.

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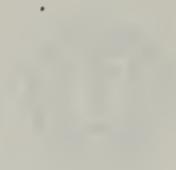
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FOREWORD

THE South is mainly rural and agricultural and it suffers not only the disadvantages of its own historical condition, but those which today are common to all agricultural areas. Father Schriedeler treats these problems as they affect both local and national well-being and points out the bright prospects to overcome and outweigh them which have hitherto been neglected or are only beginning to be touched. In tying the welfare of the South to that of the nation, while stressing the special character and contributions of the rural South, Father Schriedeler has made a practical study that merits the attention of all sections of the country.

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The Rural South: Problem or Prospect?¹

By REV. EDGAR SCHMIEDELER, O.S.B., PH.D.

ONE hears both views today. One individual says the South is the nation's No. 1 economic problem. Another says it is the country's prospect No. 1. Both may be true. The two views are not necessarily mutually exclusive. Indeed, a cursory analysis of the situation suggests that both are really true. It shows that the South has real economic weaknesses, unquestioned deficiencies; but it also shows that it has genuine economic strengths, vast resources. It shows a pessimistic side, but at the same time an optimistic side. Such an analysis shows problems indeed, but at the same time it suggests prospects that are very real and encouraging.

Of course, the vitally important question for the South is: can it make its prospects outweigh its problems? In other words, can it remedy its problems in reasonable measure and develop its resources? Can it make the most of its far-reaching potentialities? And perhaps the last question resolves itself largely into another, namely "has the South the spirit for the task?"

I. THE PROBLEM PICTURE

Outstanding among the features that present the South as Economic Problem No. 1 are the following: a lack of capital, the tariff, the drift from farm to city, want of credit

¹ This pamphlet is based on a series of lectures delivered before the School of Social Action for the Clergy, New Orleans, La., July, 1940.

at reasonable rates, deficiency in technological services, growing tenancy and share-cropping, the collapse of cotton, certain weaknesses regarding other crops. Most, if not all of these are closely interlinked. Taken together, they have denied economic progress to the South. They have kept it—aside from a few of its cities at least—very poor, even poverty-stricken. Great masses of rural people in the South are unquestionably on a much lower standard of living than many of the peasants of Europe who are crowded into territories of more limited land resources, not to speak of other resources.

While the States of the South can boast approximately 28 per cent of the nation's population they have only 16 per cent of its tangible assets, such as factories, tools, machines. Admittedly, too, they possess but a comparatively small portion of the nation's money capital. Under the circumstances these States have been constrained to sacrifice not a small portion of their great natural resources—their fertile soils and virgin forests, their mines, and quarries—giving these in return for necessities of life which they bring in from other parts of the country. One southern newspaper editor, for example, ventured the opinion a few years ago, that the South has been spending annually \$1,000,000,000 more than it is producing. Some of this went as tribute to outsiders in the form of interest and rent; some, again, represented a sacrifice of natural resources which were not replaced. Even should that startling figure be only taken as a guess, it must nevertheless be admitted that there is not a little basis for it. Obviously such a situation can only lead to one conclusion, namely that the South has been growing consistently and progressively poorer. Constantly to use more than one produces is simply to make one less and less able to produce as the years go by. To have an annual outgo of \$1,000,000,000 more than one's income can have but one result; to make one poorer by that amount, each successive year.

Such is at least a brief sketch of the problem side of the South. But it should be interesting also to note some of the details of the picture, to indicate further some of the major factors that played a part in its development, to look into the origins of these factors.

Capital and Credit Deficiency

Attention may plausibly be directed first of all to the matter of capital, or money, and credit. These are highly important in a modern economy. Capital produces capital. If the borrower of capital can hire it at reasonable credit rates he can normally have something left over for himself after repaying the principal and interest. If interest rates are high, for instance because capital is scarce, this cannot be done. In a region in which the latter is the case, things are in a bad way. Such a region is an underprivileged region. Its people lack opportunity. They become retarded. The tribute they must pay in the form of interest is too high. Hence they are forced to live mainly by producing raw materials, by providing the basic resources for investments, for manufactures and their distribution. And explain it as one may, the fact remains that the big returns go, not to those who provide the basic natural materials, but to those who put invested capital to work, to the ones who finance and manage, who manufacture and distribute.² The South, being largely agrarian is given mainly to the production of raw materials. Its people have been farmers, foresters, fishermen, and the like—producers of raw materials. Manufacturing and mining industries, for instance, have been relatively few and limited.

² To the point here are the following words of the Encyclical on *Reconstructing the Social Order* in which Pope Pius XI refers to a general cause of the farmers' difficulties and problems: "The capitalist economic regime that, with the world-wide diffusion of industry has penetrated everywhere . . ." a regime that "has invaded and pervaded the economic and social sphere even of those who live outside its orbit, influencing them, and, as it were, immediately affecting them by its advantages, its inconveniences and its vices."

Insofar as credit in the South is concerned, it is no exaggeration to say that it has been most woefully limited.³ For many decades past has there been a continuing lack, particularly of short-term credit for both productive and consumptive purposes. This has meant very high credit rates to the small dependent cultivators of the soil. In fact on the basis of studies made by the Department of Agriculture, these credit costs have been shown to account for 25 to 50 per cent of the tillers' operating costs. Under the circumstances any idea of saving or even getting out of debt can represent little more than wishful thinking.

Fundamental in the high credit costs or interest rates of the southern farmer, has been a lack of capital. There is little money to bank or invest in the South. Savings are few. The masses of southern people have been unable to save anything. Evidently this situation goes back to pre-Civil War days. Thus, according to the authors of *The Collapse of Cotton Tenancy*, "Even under slavery the chief capital supporting cotton cultivation was not available in the South, a situation which kept the whole area in a secondary slavery to the capital of the North." As proof for this they offer the following: "In 1850 when the total cotton, rice and sugar sales amounted to \$119,400,000, the total bank deposits in the South were around \$20,000,000. In 1860 when the value of crops reached \$200,000,000, less than \$30,000,000 was in Southern banks."

It cannot be questioned, however, that the conflict between North and South greatly added to this unhealthy situation. After all, a realistic picture of the South before

³ The Encyclical on *Reconstructing the Social Order* also speaks of the evils of credit in the "Capitalist Economic" regime: "It is patent," it states, "that in our days . . . immense power and despotic economic domination is concentrated in the hands of the few. . . . This power becomes particularly irresistible when exercised by those who control credit and determine its allotment, for that reason supplying, so to speak, the life blood of the entire economic body, and grasping, as it were, in their hands the very soul of production, so that no one dare breathe against their will."

the Civil War suggests a relatively profitable agriculture. But a point of no small consequence is the fact that not a little of the profit went into more and more slaves. And the capital accumulated in this way was wiped out by a stroke of the pen. Furthermore, much capital accumulated in the form of tangible property was also wiped out. Sherman's legions did a pretty thorough job of it, as many a lone chimney pointing to the sky after his "March to the Sea" testified. Nor was that the whole story. The South also lost much of its leadership. Its spirit was crushed. At least some southerners were content to sit down and nurse their grievances; others to live on the memories and the records of the past. Such a situation did not make for progress.

Meantime the North was rapidly forging ahead. It was being speedily industrialized and increasing its wealth. And obviously, when one of two regions, because of a lack of capital falls behind, while another because of an abundance of it moves forward, it becomes exceedingly difficult for the former to catch up with the latter. In fact, the whole tendency is precisely in the opposite direction—for the one to fall farther and farther behind and for the other to forge consistently ahead. It is only to be expected that the "has not" area becomes more and more dependent upon the region possessing available capital. This means that the former is obliged increasingly to pay tribute to the latter. The inevitable result is an unbalance, a growing disparity between the two. And incidentally, both will ultimately suffer from this.

Specific Causes

A variety of specific causes for the continuing poverty of the South following the Civil War, can be mentioned. Generally speaking, however, they are factors that are as much, or even more, characteristic of the differences between city and country than of any differences between North and South. In other words, the Northern farmers also have suf-

ferred from these causes, though hardly as much as have those of the South.

Cityward Migration

One of these causes has been the drift to the city which has characterized in varying degrees the period since the Civil War. Dr. O. E. Baker of the Bureau of Agricultural Economics, United States Department of Agriculture, has given us some striking figures regarding this cityward migration, and particularly showing how it has served to create an economic unbalance between rural and urban parts. Thus, he points out that during the decade of the twenties, for instance, 6,300,000 young folks left the country districts for the city. Trained at the expense of the country, they used their training to produce for the good of the city. What this means in terms of dollars, Dr. Baker shows by pointing out that the estimated cost of rearing a child to working age is about \$2,500. Multiplying this figure by 6,300,000, we have \$14 billion—the sum that the farming districts contributed to the city in the ten-year period in question in terms of trained young men and women.

Perhaps it might be argued that, so far as the South is concerned, the figure \$2,500 per child trained, is too high because of that territory's limited educational expenditures as compared with the North. But that is not the whole of Dr. Baker's story. To the tribute of 14 billion dollars mentioned, he further adds a tribute of \$4 billion in the form of inheritances, \$10.5 billion in rent, and \$7.5 billion in interest. In other words, the cities got, in all, a tribute of 36 billion dollars, or \$3,600,000 a year, during the decade. That is a pretty neat little sum. And the South unquestionably paid a good share of it. Little wonder that the region is poor. Little wonder that all our farmers have had hard times; that instead of making some headway they

have been losing even the acquired capital that they had acquired in better times.

The Tariff

Another important cause of the continued deficiency of capital in the agrarian South, over many decades past, is the tariff. For more than a century has it served as a channel through which capital was constantly drained from the countryside into the city. There is no exaggeration in saying that the tariff has served as a medium for syphoning literally billions of dollars from rural areas into our giant reservoirs of wealth. How this is actually done can be easily understood. The tariff is really a tax on the farmer and other consumers for the benefit of industry. When the farmer buys tariff-protected goods he must pay not only the prevailing world price but also the equivalent of the tariff on the article. That is, he must pay a propped-up American price. But when he sells his products he must sell at the world price, because normally his cash crops are export crops and unprotected by a tariff. The resultant disparity between the prices he pays for the things he buys and those he gets for the things he sells can have only one ultimate effect, a decrease in capital.⁴

Tenancy

Another serious weakness in the economic armor of the South has for some decades past been its growing tenancy rate together with an increasing concentration of the ownership of its lands, not infrequently in the hands of individuals outside its territorial limits. The worst situation is found

⁴ Pope Pius XI also speaks for price parity in his great social Encyclical. Immediately following his reference to "a reasonable relationship between different wages," His Holiness goes on to say that "intimately connected with this is a reasonable relationship between the prices obtained for the products of the various economic groups; agrarian, industrial, etc." And he adds: "Where this harmonious proportion is kept, man's various economic activities combine and unite into one single organism and become members of a common body, lending each other mutual help and service."

in the cotton States. While in 1880 approximately 70 per cent of the farmers in these States cultivated their own land, by 1930 approximately 70 per cent were tenants or sharecroppers.⁵ The progressive concentration of the better lands into large plantations under central management has also grown consistently, particularly since about 1880. Not a few of these large acreages have come under the control of large creditor institutions. In fact enormous holdings are now in the hands of a few of these institutions. Areas running as high as 30 per cent of the cotton lands of various States are today owned by insurance companies and banks. Naturally the tenant or sharecropper families who till these lands must pay tribute to these institutions. On their meager income they must support these institutions as well as themselves and their families.

This development in the South is closely linked with the crop lien system that is rampant there, and apparently both have their roots in the Civil War. Even the formerly prosperous farmers of the South had little left after the War was over except their lands. But the less fortunate tillers of the soil fared even worse. They had little but the labor of their hands. Under the circumstances a type of barter system developed in the place of a former money economy. That is, instead of paying money rent, the unpropertied farmer worked on a share basis the land he received from his planter-landlord. He promised to repay him with a share, quite commonly one-third, of the year's crop. In addition the crop lien system also developed; that is the sharecropper had to mortgage his year's crop in order to get the supplies he needed to raise it. He was fortunate indeed if at the end of a season he came out even. In fact, only too frequently he did not manage to do this. Instead, he went deeper into debt.

⁵ A tenant is commonly accepted to be a farmer who has at least some work animals and equipment, possibly even a little cash of his own. A sharecropper is a farmer who is totally dependent on the planter; that is, not only for the land he works but also for the capital he uses in working it.

A Cotton Kingdom

Still another factor accounting for the South's problematic economic condition is to be found in its crops. The region has not been any too fortunate in this regard. In the first place it has raised for commercial purposes only a limited number of cash crops. In the second place its markets for even these have suffered considerably, particularly so of recent years.

The characteristic crop of the South is, of course, cotton. For decades has this been its major crop. Quite correctly do we speak of the Cotton Kingdom. The truth of the matter is, however, that the South has been too much a Cotton Kingdom for its own good. It has depended too largely on this one crop. In the case of great numbers of farmers cotton has been the only crop. And this particularly was unfortunate. One crop meant dependency on the store for all the family's consumptive goods. Still further, one crop meant absence of crop rotation and a consequent loss of soil productivity. And like other major cash crops of the American farmer, this particular crop was an export crop. That meant prices for it at world levels.

As a matter of fact the individual small cotton farmers often did not get a price even in accord with the low world level. Several different reasons account for this. The local buyers of cotton normally knew more about prices in the big markets than did the individual cotton farmer. Commonly, too, they knew more about prices which other buyers in the market were offering than the producer could readily find out. Furthermore, buyers' rings, formed to prevent undue competition among themselves, were not infrequent. It should hardly be surprising, in view of this situation, that prices were often not what they should have been in the case of the individual producer; indeed, that they were often quite unfair to the growers.

The co-operative associations that have been formed among the cotton growers since the World War have in some measure corrected this unhealthy situation.

Of recent years an additional cloud has been casting its shadow in ever-increasing lengths over the Cotton Kingdom. The growers' markets, both home and foreign, have been dwindling. For long years practically master of the world's cotton markets, the United States has had the past few years to face many and increasingly powerful competitors. Outstanding among these competitors are Egypt, the Sudan, Brazil, India, China, and Russian Turkistan. Insofar as the home market is concerned, it is being constantly narrowed by attractive substitutes for cotton fabrics. It can hardly be questioned that there are already on the market a number of artificial fibers, both superior to cotton and less expensive.

While on the subject of cotton, the oft-heard threat of the mechanical cotton-picker, and the changes that its widespread introduction in all likelihood would bring about, should also be mentioned. The chief change that would undoubtedly take place would be the stimulation of cotton production in the Southwest—in the States of Texas, Oklahoma, and Arizona. In these States there has not been so ample a supply of labor for picking as in the Southeast. Should the change come about, a whole train of other changes would undoubtedly follow. What would happen to the large population of the Southeast, so long dependent for its living on this crop, would be difficult to foresee. The whole economy of the Old South, already in an exceedingly weakened condition, would be further seriously upset.

Other Crops

While cotton has been, and still is, the outstanding commercial crop of the South, it is nonetheless not its only crop for the market. Tobacco, for example, has also long been cultivated on a considerable scale. But its markets

abroad, too, have suffered of recent years. Tobacco is a government monopoly in about half the countries of the world. A number of these countries have used their power with telling effect in restricting its importation from the United States. But in the case of tobacco there is this encouraging fact: its home markets have been somewhat improved. This has been due to the addition of millions of women to the ranks of cigarette smokers. It is said, for example, that Richmond, Va., large cigarette manufacturing center, experienced but little the effect of the depression.

Considerable sugar is also produced from southern sugar cane. The cane is grown chiefly in the "Sugar Bowl" of Louisiana, but also in some measure in the States of Georgia, Mississippi, Alabama, Florida, Texas, Arkansas and South Carolina. Sugar production is kept down somewhat in this country by the payment of a benefit to growers who limit their output. Sugar from Cuba, Puerto Rico, and Hawaii is on a quota basis. The American producer finds it difficult to compete with the cheaply produced sugar from these territories.

A great variety of other crops can be grown in the South. A variety of vegetables have been increasingly planted as commercial crops since the World War and trucked to northern markets. The sweet potato is a commercial crop to some extent. Recently, as will be seen later, it has been found to have other than food values. Yet when everything is said and done, the fact remains that many tillers of the soil in the South do not even raise the products they need for their own use. Many either buy or do without nourishing vegetables and fruits. Many do with but little meat and dairy products. It is said that great numbers of children in the South have but most limited quantities of milk. Primarily an agrarian region, the South imports many commodities. A potential garden spot, its people often do without many important food products.

Waste of the Soil

While the South has much fertile soil, it must also be said that it has been very prodigal of this fundamental resource. It has permitted its lands to erode, till millions of acres are quite beyond use and millions more are seriously damaged. It is estimated that not less than 61 per cent of the eroded lands of the United States are in the southern regions. One effect of this is that more than twice as much commercial fertilizer is used in these regions as in the rest of the country. This is no small tax on the South's limited capital. The cost of this particular item amounts to \$161,000,000 annually. This helps to explain still further the southern regions' economic deficiencies.

Still other factors might be added to the list already cited. Indeed, the list might be lengthened almost indefinitely. However, enough has been said to show that the South is indeed an economic problem. There should be little need for trying to paint the picture darker.

II. PROSPECT NO. 1

But what of the other side of the picture? What of potential remedies for the South's weaknesses. What of its strengths and assets? What of its prospects for the future? What reasons can be found for referring to it as Prospect No. 1 of the nation?

The South unquestionably has great natural resources. In view of these one is perhaps more inclined to ask, "Why any poverty in this land of plenty?"⁶ than to inquire "What

⁶ The following quotation from the Encyclical *Reconstructing the Social Order*, in its emphasis on the full organization of every factor in economic life, and the full co-operation of all these factors, gives the key to the solution of the South's problems in the general framework of national and world economy:

"For then only will the economic and social organism be soundly established and attain its end, when it secures for all and each those goods which the wealth and resources of nature, technical achievement, and the social organization of economic affairs can give. These goods should be sufficient to supply all needs and an honest livelihood, and to uplift men to that higher level of prosperity and culture which, provided it be used with prudence, is not only no hindrance but is of singular help to virtue."

prospects has the South?" Yet it must be recognized that, while the region has abundant resources, they are not being developed at all as they might be. And so, too, must the point be remembered, that has already been so much emphasized, that while the South does have bountiful natural resources, it lacks artificial resources; it is deficient in capital. It is highly essential that this particular defect be corrected. Little change in the southern economy can be brought about without it. The development of its natural resources demands artificial capital. How is this to be gotten?

Government subsidy is one, and an important part of the answer. And after all this would mean little more than returning to the South some of the wealth that has been drained from it over many past decades. To be sure, it would entail taxing those who were paid this tribute for years past, for example through the tariff. Then, too, it should be noted that such a redistribution of our national assets would ultimately prove a gain to the entire nation. The serious economic unbalance resulting from billions of dollars of excessive savings piling up in the North, while there is a serious lack of capital in the South, has been harmful to all even to the money interests themselves. Moreover, a nation that is half rich and half poverty-stricken is far from being a healthy nation.

The Federal Government has as a matter of fact been distributing subsidies to rural parts the past few years. There are other ways in which more of it might well be done. The soil conservation program is one medium through which the farmer has been subsidized. For several years past one-half billion dollars has been appropriated annually and given to the farmers who co-operate with the government's soil conservation program. While this may rightly be looked upon as a subsidy, it is at the same time, good business. It really implies a public payment to the farmer for conserving and building up the soil resources of the nation.

The benefit payments that have been annually given to the farmers under the Agricultural Adjustment Act may also in a sense be considered a subsidy. More correctly though, should they be looked upon as an equivalent of the tariff for the farmer. And, as has already been pointed out, one of the major causes of the continuous drain of capital from the South had been the tariff. Two hundred million dollars or more has been annually distributed to the farmer in the form of benefit payments under the Agricultural Adjustment Act. Incidentally, too, the tariff has been at least somewhat lowered the past half decade through the operation of the Reciprocal Trade Act. No one has gained more from that than the farmer.⁷

Some public funds have also been going to rural territory through the operation of the Social Security Act, notably through grants to needy individuals such as the aged, the blind, and dependent children. It might be noted in this connection, however, that there are comparatively few aged people in the South, the region having a very large child population.

There has also been at least a limited distribution of public funds in the countryside through public health work. Much more such work is needed. And there is special need for it in the South—precisely the place where the subsidies are needed too.

Again, the Tennessee Valley Authority has brought some public funds to the South. While the chief function of the agency has been the development of electricity, much of the construction expenses were charged to military and navigation development. An incidental effect of the T. V. A. has been the part it has played in serving as a "yardstick" to bring down the prices of electricity in the region. This has proved itself not only to the advantage of the farmers but also to that of the companies whose rates were

⁷As this goes to press the entire matter of the trade treaties is problematical because of the European and Asiatic wars.

affected. Under the lowered rates the volume of business was so greatly increased that profits were larger than under the former high prices.

An immense field for putting capital to work in farm districts is rural housing. The need for a rural housing program, particularly in the South, cannot be gainsaid. There should be some subsidy connected with the program.

Highway construction, flood control, forestation, are still other means for bringing public funds to the hard-pressed rural districts.

Government Credit

But subsidies are not the only medium through which the government can aid the rural sections. The providing of government credit presents still another way. Much such credit is needed in the South, and it is particularly needed at reasonable rates of interest. It is difficult to see how, without such credit, the great mass of Southern farmers can break the bonds of financial enslavement that keep them bound and beyond the pale of progress.

The Federal Government has as a matter of fact provided a considerable amount of cheap money for rural districts over the past few years. For example, funds in appreciable amounts have been loaned through the Rural Electrification Administration. At present \$140,000,000 a year are being spent through this agency. Interest on its loans is very reasonable, namely 3 per cent. And one might well add that this is not the whole story of the Electrification Administration. It has reduced the unnecessarily high costs of line construction. It has done much to reduce electricity rates for farm folks. By the mere fact that it has made possible a far more extensive use of electricity in the countryside it has greatly enhanced the attractions of country living.

That rural electrification is making headway in the

South is evidenced by the fact that Georgia and Texas have the largest number of co-operative electrification projects of all States.

Much more credit is being provided farmers through such government agencies as the Farm Credit Administration and the Farm Security Administration. Interest rates under both are at present very reasonable.

The Farm Credit Administration makes long-term loans to farmers, through the old land banks, for such purposes as buying farms, refinancing, and making improvements. It makes loans to co-operative associations through a special system of co-operative banks, one of which is found in each of the twelve land bank regions of the country and one in Washington, D. C. It also makes short-term production credit loans through twelve Production Credit Corporations. By special act of Congress interest on land bank loans are at present $3\frac{1}{2}$ per cent. The co-operative banks are making long-term facility loans—that is, loans for building needed warehouses, elevators and the like—at 4 per cent, and a variety of short-term loans at even a lower rate. A maximum of $4\frac{1}{2}$ per cent is at present being charged for short-term loans made available through the Production Credit Corporations.

The Farm Security Administration is another government credit agency. It was established as a medium for administering the Farm Tenant Act. The two main types of loans made through this agency are land purchase loans and so-called "rehabilitation" loans. The land purchase loans in this instance are made at 3 per cent. However, the amount of money available is rather limited. Under the provisions of the Farm Tenant Act \$10,000,000 were allotted for land purchase loans the first year (1937), \$25,000,000 the second year, and not more than \$50,000,000 every year thereafter. These Farm Security Administration loans for land purchase are made only to deserving "farm tenants, farm laborers, sharecroppers and other in-

dividuals who obtain, or who recently obtained, the major portion of their income from farm operations.”

Rehabilitation loans are small loans, usually consisting of a few hundred dollars, aiming to help distressed farmers get on their own again and remain off the relief rolls. The loans may run for a period of five years. Interest rates are 5 per cent. Eligibility for this type of loan is referred to as follows in the Farm Tenant Act: “Only farm owners, farm tenants, farm laborers, sharecroppers and other individuals who obtain, or who recently obtained, the major portion of their income from farming operations, and who cannot obtain credit on reasonable terms from any federally incorporated lending institutions shall be eligible under this section.”

Results of these rehabilitation loans have been quite striking. Thus, a recent survey of 360,015 active rehabilitation borrowers, comparing their status in 1939 with their condition the year before they obtained their loans, showed the following interesting findings:

Whereas the year before the loans were made the net income of the borrowing families was \$375.42, their average net income in 1939, the year of the survey, was \$538.40. That represents an increase of 43 per cent. Again, whereas their net worth or capital, over and above all debts, was \$884.49 per family before their loans were made, it stood at \$1,114.91 the year of the survey. That is an increase of 26 per cent and means that, taken together, these families added a total of \$83,000,000 to the wealth of their communities. That is what a little reasonable credit will do. When interest rates are not too high there is normally a fair chance that something will be left over for those who use capital. There is no such chance when rates are excessively high. To be sure loans must be made with care. In the case of the rehabilitation loans this has been done consistently. The Farm Security Administration makes no such loans without giving the borrower technical farm help,

without working out a farm management program with him and supervising its operation. One common requirement is the planting of more than one cash crop; another, the raising and canning or preserving of a certain amount of produce for home consumption. In fact, much of the progress shown in the aforementioned survey was really made in the homes. Before making their loans the borrowing families had produced \$54,000,000 worth of goods for home use annually. In 1939 they produced \$89,038,000 worth. That represents an increase of \$35,000,000. Stating the same in other terms, the amount of canned fruits and vegetables advanced from 51 quarts to 221 quarts per family, while milk production for home consumption rose from 90 gallons to 466 gallons. Similar gains were made in other fields, such as dried fruits, potatoes, meat and eggs.

Still another government-lending institution is the Commodity Credit Corporation. This agency makes loans principally to producers to finance the carrying and orderly marketing of agricultural commodities. It is authorized with the approval of the Secretary of the Treasury to issue and have outstanding at any one time, bonds, notes, debentures, and other similar obligations in an aggregate amount not exceeding \$900,000,000.

It would be easy to argue, of course, that it might be preferable if loans were made available in the South by private capital. But that has been true right along, even decades before the Government started its subsidies and its loans. But private capital, to meet the needs of the South, was not forthcoming. It was not made available either in sufficient quantities or at reasonable rates of interest.

It will, of course, prove to the South's great benefit if, with the Government aid now being afforded it, it will actively create new capital of its own, thereby becoming increasingly independent of outside capital. Certainly it has worked long enough, constantly paying tribute to outsiders.

To reach that goal will demand more production at home—production to meet its own needs, first of all, but also production to meet market demands elsewhere. More than that, it will need thrift. It may be well enough for the North with its masses of idle capital to be spendthrift, but that is hardly good policy for the South with its scarcity of capital.

Farm Research

What would appear to be a promising development for the South, making it possible for the region to produce more, is the interest being shown, and the progress being made, in farm research, particularly in farm chemurgy so-called, or in the application of chemical science to agricultural products. For some years research has been going on in private laboratories in an effort to find new uses in industry for products of the countryside. In 1938 Congress also gave recognition to the advance of the chemical age by authorizing the establishment of large research laboratories. Four were provided for, each to be manned with 200 scientists. Established in four different regions of the country, each will experiment with crops peculiar to the territory in which it is located. The one for the South is in New Orleans. Its attention is being directed first of all to cotton, sweet potatoes, and peanuts.

That considerable possibilities lie ahead for these laboratories is suggested by what has already been done by private research centers. For example, in the field of cotton—the crop on which the South has depended so much in the past, and which has been in so precarious a position of recent years—some worthwhile findings have been made. A number of new uses have been made for cotton fiber, but even more uses have been found for cottonseed, once considered utterly useless by the growers. The cottonseed industry today ranks second only to cotton lint as the major cash crop of the cotton South. There are now operating in

the South more than 500 cottonseed oil mills. Besides oil, important by-products of the cottonseed are cake or meal, hulls, and linters. These by-products in turn furnish the basic materials for a large number of products of American industry.

The Sweet Potato

A newly-developing enterprise is the production of starch from the sweet potato, a crop hitherto known only for its food value. A plant for processing the starch, located at Laurel, Miss., in 1939 purchased from farmers in the vicinity 270,000 bushels of sweet potatoes and extracted therefrom 2,800,000 pounds of starch. It would require some hundreds of such plants to produce the starch we buy abroad since, according to the 1937 figures of the Bureau of Foreign and Domestic Commerce, the United States imports annually from foreign countries more than 483,000,000 pounds of starch.

Among valuable by-products of the Laurel plant are potato flour glue, and potato pulp stockfeed. Incidentally, sweet potato "culls," having no value as a food product can be used in the processing of starch.⁸

Peanuts

The South produces annually more than 1,000,000,000 pounds of peanuts. The leading State for this crop is Georgia. Almost one-third of the entire crop is produced within its borders. The crop should have a bright industrial future. The meat, oil and shell can be used for industrial purposes. Dr. George Carver of Tuskegee claims

⁸ In this connection a few lines might be quoted from an article on farm chemistry in the July-August issue of *The Social Justice Review*, by William J. Hale. Dr. Hale writes: "The South should concentrate largely on starch, vegetable oils, and fibers." However, he adds: "Starch from sweet potatoes, as even a partial replacement for cotton as a principal crop, will not be successful until the by-product of agricide alcohol is instituted. This alcohol will find a most extensive immediate market as a co-efficient in motor oil."

to have discovered more than a hundred uses for the peanut. As already indicated it is one of the crops on which the government research laboratory at New Orleans will center its attention.

Sugar Cane

Another crop that undoubtedly warrants further attention by farm research experts is sugar cane. Some uses for it, other than as a food product, have already been discovered. Cane bagasse, for example, is being used quite extensively as a source of cellulose. Motor fuel can be made from cane that is not suitable for edible purposes. More than likely other industrial uses can be found for this crop.

Wood Products

The South has more than 200,000,000 acres of woodland. Here, too, are immense undeveloped possibilities. Several new commercial uses for the trees of its forests have already been found, although research here is still very much in its infancy. The making of Kraft paper from slash pine, for instance, is one such new development. There are today fifteen plants in the South producing this paper. The sum of \$100,000,000 has been invested in southern pulp and paper mills since 1935 alone.

A still more striking and also more recent development is the production of newsprint from fast-growing southern pines. In the first months of 1940 a \$6,000,000 plant at Lufkin, Tex., turned out the first southern newsprint ever to be produced on a commercial scale. This may very well prove the forerunner of a very promising industry for the South. Most of our newsprint has been imported at exorbitant prices. It is said that 4,000,000 tons are used annually by the presses of the United States.

Still another noteworthy development, and again com-

ing from Laurel, Miss., is the famed masonite. This is the brainchild of W. H. Mason. He discovered through patient research that he could utilize the tons of chips around the old sawmill town of Laurel, either in the production of tough paper or efficient insulating board. Further work led to the perfection of the present masonite processes. As the refuse from the old mill became exhausted, pulpwood from southern Mississippi forests was brought into use. This is brought in from a radius of one hundred miles. Hitherto of no commercial value, it is now bringing the farmers in the territory an annual income of about \$700,000. The Masonite Corporation employs over 1,700 people. The total annual expenditures of the plant in the State of Mississippi is \$3,765,000. Masonite fiberboard products are being used in the building trades both here and abroad. Plants have been established in several other countries.

Not dissimilar to the Masonite Corporation is the United States Gypsum company in the Mississippi Delta. It converts hitherto worthless willow and cottonwood into wall-board and insulating material.

Even old pine stumps are coming to have commercial value today. Quantities of pine oil, turpentine, and resin are being extracted from them. They are also the source of a variety of disinfectants and medicinals that are on the market today. This development has proved a twofold blessing to the farmer: the stumps are removed from his land for him and he is paid for them.

The Soy Bean and Tung

Not only new industrial uses for old crops but also new crops can well be a boon to the South. Two comparatively new crops that give considerable promise are the soy bean and tung. The soy bean, originally imported from Russia, is rapidly becoming a crop of some consequence in most Southern States. Its value as feed for livestock has for

some time been recognized. The same is true of its soil conserving and improving qualities. Soybean oil is edible, and a number of food products are today made from the bean. Furthermore it has become a valuable source of raw material for adhesives and plastics and is being used in the manufacturing of paints. Other developments and more extensive use of its known commercial values are entirely likely.

The tung nut, brought over from China, is perhaps the most recent new industrial crop of the South. About 160,000 acres have been planted to tung to date. Being a sub-tropical plant it needs a sub-tropical climate. Frost is an enemy. Some tung trees have been planted all along the Gulf Coast from Texas to Florida, but about two-thirds of the 160,000 acres now planted in the South is in Mississippi. It has been found to grow satisfactorily in cutover land unsuited for general farming.

Although the introduction of the tung tree into the South is very new, four tung-oil crushing plants have already been erected there. Since the oil is used in the production of paint it is expected that paint factories will be attracted to points in the tung belt. For years past from 100,000,000 to 175,000,000 pounds of tung oil have been imported from China for use in the manufacture of certain paints, varnishes and lacquers, and for undercoating automobiles.

Livestock Production

There has been a woeful lack of livestock production in the South. This is true not only of production on a commercial scale but also for home use. This means that many of its people have simply done without in whole or in part. More recently, however, there has been a turn for the better. Indeed, it is said that during the past few years alone the number of dairy cows and beef cattle have practically doubled in the South. There has been a concomitant growth

of creameries, cheese plants, and condensaries. Talk is now heard of tanneries, button factories, and other industries for utilizing such by-products as the hides, hoofs and horns of the animals.

This particular product suggests the need for some reasonable kind of regional planning. There is some evidence that the dairy farmer of the North is already casting some uneasy glances toward the South. And occasionally there is an interjection, "The South can raise cotton; we can't." The inference is clear. And the truth behind it is also clear. One region of the United States is peculiarly adapted to certain products, another to still other products. In final analysis would it be good policy for the one to trespass on the other? To the point here: should the South not only go into dairying and the production of beef cattle to feed itself, but also to cater to the markets of the highly urbanized Northeast. How would that affect other parts of the country, where livestock production is largely a specialty? The same, of course, holds good of other products. Is it for the common good for a particular region to begin producing a crop which is more or less characteristic of another region and of which we already have enough?

Considering its unusual natural resources this is unnecessary for the South. It need not try to lift itself up by knocking another down. It has almost untold possibilities for the future in fields that are peculiarly its own. If it can get the capital to develop these, and if it can continue fostering the progressive spirit that now characterizes the South generally, there is much reason indeed to believe that it will speedily prove itself the Nation's No. 1 Prospect.

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- Report on Economic Conditions of the South*, prepared for the President by the National Emergency Council.
- Testimony of William J. Hale before the Farm Chemurgic Subcommittee of the Republican Agricultural Study Committee. See *The Social Justice Review*. Central Verein. St. Louis. July-August and September, 1940, issue.
- Our Rural Proletariat*. Social Action Series, No. 11, The Paulist Press.
- The Cotton South and American Trade Policy*. World Affairs Book, No. 17, National Peace Conference, New York.
- Can We Use Our Cotton at Home?* Address by Milo Perkins, U. S. Department of Agriculture, June 28, 1940.

N. C. W. C. STUDY CLUB OUTLINE

I. THE PROBLEM

1. What is the vitally important question for the South?
2. What eight problems of the South have kept it poor? How does the standard of living compare with that of European peasants?
3. What proportion of the population of the U. S. has the South? Of the assets? Of money capital?
4. How does this situation involve a sacrifice of natural resources?
Suggested paper: Review of "The South's Place in the Nation," Public Affairs Pamphlet, No. 6, 30 Rockefeller Plaza, New York. 10c.

II. CAPITAL AND CREDIT DEFICIENCY

1. Why is the possession of capital, or money, important in modern economy? What is the relation between scarcity of capital, high interest, and debt?
2. How does this affect the population of a region in which it exists? What did Pope Pius XI say of this condition?
3. What has the lack of credit meant to the Southern agriculturalist in credit costs? Discuss the Encyclical "Reconstructing the Social Order" on domination.
4. Discuss slavery, property destruction and loss of leadership and spirit in the Civil War as reasons for lack of capital. Contrast with the North and the growing disparity between the two.
Suggested paper: Review of "Economic Dictatorship," George Brown. The Paulist Press. 5c.

III. OTHER CAUSES

1. Show how cityward migration has caused an economic unbalance between rural and urban parts and how the South has figured in this.

2. How has the tariff contributed to the impoverishment of the South through disparity of prices?
3. What does the Encyclical say on this?
4. Discuss the evil effects of tenancy, particularly in the cotton area, and crop liens, and their origins in the Civil War.
Suggested paper: Review of "Our Rural Proletariat," Edgar Schmiedeler, O.S.B. The Paulist Press. 5c.

IV. COTTON

1. Why is it evident that the South has depended too much on cotton: (a) one crop; (b) loss of soil productivity; (c) export crop prices at world level?
2. Why were farmers often unable to get even world prices for their cotton and how do co-operatives remedy this?
3. How has both the world market and the home market for cotton narrowed?
4. What further changes in the South would the introduction of the mechanical cotton picker bring about?
Suggested paper: Review of "The Cotton South and American Trade Policy," World Affairs Pamphlet, No. 17, National Peace Conference, N. Y.

V. OTHER CROPS

1. Why has the world market of tobacco been decreased? The home market increased?
2. How is the production of sugar limited in the U. S.? What must it compete with?
3. As a general rule do the farmers of the South plant sufficiently varied products for their own use? What is the result?
4. What proportion of the nation's eroded lands are in the South and what does this mean in the expenditure of capital?
Suggested papers: Review of "Balanced Abundance," Edgar Schmiedeler, O.S.B. The Paulist Press. 5c.
"The South Catholic Discovers Itself," Francis J. Byrne, C.C.S. Pamphlet No. 1, Catholic Conference of the South, 810 E. Grace Street, Richmond.

VI. PROSPECTS: SUBSIDIES

1. Are the resources of the South being developed as they might be?
2. What does Pope Pius XI have to say of the necessary co-operation of all economic factors for prosperity?
3. How would Government subsidy to the South benefit the entire nation?
4. How has the Government been distributing subsidies through its Soil Conservation Program?

5. Show how the benefit payments of the A. A. A. are equivalent to a tariff for the farmer?
6. How have the following Government services helped the South?: Social Security Act; Public Health Work; Tennessee Valley Authority. What can be done in the fields of rural housing, highway construction, flood control and forestation?

Suggested paper: Review of "Social Progress and the South," Most Rev. P. O'Hara, D.D., and A. A. Berle, Jr., C.C.S. Catholic Conference of the South, 810 E. Grace Street, Richmond.

VII. PROSPECTS: GOVERNMENT CREDIT

1. Is government credit necessary for the South?
2. How has government credit been extended through the Rural Electrification Administration?
3. How does the Farm Credit Administration operate?
4. Discuss the "land purchase loans" and the "rehabilitation" loans available through the Farm Security Administration.
5. How does the Commodity Credit Corporation act?
6. What would be necessary for the South to create capital of its own?

Suggested papers: Review of "Credit Unions," Frank O'Hara, and "Consumers' Cooperatives," Edgar Schmiedeler, O.S.B. The Paulist Press. 5c each.

VIII. PROSPECTS: FARM RESEARCH

1. Why has the government provided for the establishment of farm research laboratories?
2. What important findings have been made for the use of cotton by-products?
3. Discuss the industrial uses of the sweet potato, peanuts, sugar cane.
4. What uses have already been discovered for wood products?
5. Discuss the new crops: the soybean and tung and the uses to which they can be put?
6. How does the question of the extensive introduction of livestock into the South suggest the need of Regional Planning?

Suggested paper: Review of "Dawn Over Dixie," Parsons, C.C.S. Pamphlet No. 2, Catholic Conference of the South, 810 E. Grace Street, Richmond.

Catholic Action for Social Justice *

HOW shall we know well the right moral principles and spread them?

We shall all be unified in our religious program and our work under the Bishops (48).

We shall join a Catholic lay organization working with and under the Church (31).

We shall get it to start, or we shall join, a program of training (31).

We shall take part in study clubs and industrial conferences and the like (8).

We shall spread books, newspapers, magazines, and pamphlets (8).

We shall get the help of a priest trained in this matter (46).

We shall start work among youth (47).

We shall attend lay retreats (47).

We shall be apostles to our own associates—workers to workers, employers to employers, and so on (46).

We shall ground all our ideas in the Encyclicals of the Popes (48).

We shall take on the social charity of brotherhood in God and in Christ (44).

We shall lead good Catholic lives (44).

We shall know the crisis facing us which has, with the grace of God, put the destiny of mankind in our hands (47).

We shall have hope, because the Christian spirit of the people is strong, ignorance and environment can be overcome, and even the most abandoned have in them the sparks of "a natural Christian soul" (45); and because already much has been done to make known and apply the social teaching of the Church (7-13; 45-6).

* Numbers refer to page numbers of Pope Pius XI's Encyclical "Reconstructing the Social Order" (N. C. W. C. edition).

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