

# HISTORY OF AGRICULTURAL ECONOMICS<sup>1</sup>

At Michigan State College - 1910 on [*until about 1945*]

By Doctor W. O. Hedrick

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Economics had been taught at Michigan State College for twenty years prior to the beginning of teaching in Agricultural Economics. The summer of 1912 was the birth time of Agricultural Economics in this place. During that summer the Federal Experiment Station Summer School under the direction of Dr. True had its meeting at the College, and among other specialists who taught was Dr. Warren of Cornell University. Dr. Warren brought the then newly developed principles of Farm Management and lectured upon them on the campus during the summer. Farm Management with its emphasis upon the economic aspects of farming required only to have the title changed and it became Agricultural Economics. Such was the case at Michigan State College. The outlines of Dr Warren's lectures are found in his text-book entitled "[Farm Management](#)". They took up such questions as the size of farms, capital needed, crop systems, proportioning of factors as between land, labor and capital, etc.

At about this time – the summer of 1912 – the farm extension division of the Federal Agricultural Department had devised a method of measuring farm income, which was considered scientific, and a representative, Dr. C.B. Smith, spent the summer teaching classes the use of this

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<sup>1</sup> The original hard copy of this document was placed in the MSU Library holdings in 1945. The quality of the original document does not allow for a readable scan. So for presentation purposes, this on-line version is an exact retyped version of the original document, with selected hot-links added to facilitate access to important historical items mentioned in the report which are now available on-line. This very was prepared by Michael T. Weber – April 30, 2013.

new method. Many farms in the college neighborhood were surveyed by Dr. Smith and a group of students as to their incomes. The method of determining farm income thus broached is still in use, and consists generally of subtracting an assumed value of farm land from the farm's gross income.

The creative force of these two new ideas upon Agricultural Economics is seen in the college catalog of 1913, where a course under that title is offered, involving the discussion of many topics that pertain to Farm Management. It is probable that Taylor's text-book of Agricultural Economics published in 1905, was the text-book used, and Nourse's Agricultural Economics published in 1912 and covering nearly all phases of the subject that have since been developed, was certainly also used.

The beginning of the second decade of our century was quite alive with new Agricultural Economics movements. Late in 1911 the last year of President Taft's administration, a report was published by his ministers in European countries, upon the subject of farm credit. President Taft urged that agencies similar to those found abroad should be developed in this country, in respect to farm credit. The Federal Department of Agriculture at once took up the subject, and under the direction of Dr. Thomas Carver, -- 1913 -- a survey of the country in respect to rural credit was made. The Head of the Michigan State College Economics Department conducted the survey for Michigan, and the subject of rural credit became an additional subject in farm economics for teaching purposes.

Still a third chapter in Farm Economics came into existence at this time and for two decades at least played a most important part. This was the subject of Farm Marketing. At about 1913, the Division of Farm Marketing was set up in the Federal Agricultural Department, and similar agencies were established by many state governments. The growing cost of living which had been noticeable for a half a decade prior to 1913 impelled people to lay the blame upon the

current marketing agencies among which the so-called middle-men was conspicuous and the frenzy of criticism upon this economic agent became very acute. The intense interest in dethroning the middle-men lead to an analysis of marketing processes, and in this way the subject of marketing became a suitable part of Agricultural Economics. They first M.S.C. course along this line is dated 1916 and [a text-book written by Dr. Weld](#) served for many years as the first text from which farm marketing was taught.

Closely associated with the processes that made up farm marketing was the very important one of agricultural cooperation. It was seen, in fact, that agricultural cooperation was an efficient substitute for the middle-man and cooperation became important enough of itself to warrant a full-term course of study. In 1918, this subject matter was offered at our college and a text-book by [Powell on cooperation](#) furnished the basis for study.

It was quickly seen that this cooperation phase of Agricultural Economics was of more immediate practical use in Michigan than probably any other phase. The farmers of Michigan from 1912 on had indulged in something resembling a cooperative orgy and grain and fruit and livestock cooperatives became very common in all parts of the state where these products were produced. Still two other cooperatives, those of the creamery and the city milk marketing plant became even more common than all of the others put together. There was pitiful amount of ignorance on the part of farmers at this time in regards to cooperation. Many times a mere corporation business as contrasted with individual initiative was looked upon as cooperative. Not a few times the insertion of the term cooperative in a business title persuaded people that they were dealing with a cooperative. Lots of cooperatives were formed when none ought to have been owing to scarcity of products. The organization of so-called cooperatives creameries fully equipped by private agencies, and sold to would-be cooperatives, where there was no chance that a cooperative would be successful, became somewhat common in Michigan. All of

this made admirable first hand study for the Agricultural Economist, and a good many surveys of cooperatives in Michigan were made. This use of first hand materials interested the classes studying cooperatives since it brought the subject matter of their study under their eyes and understanding.

The times -- 1912-1920 -- were considerably devoted to economic considerations. It was the period of the high cost of living, which caused wide spread study of what was behind the high cost of living. These costs added to by the First World War served to make a market for farm products which was unparalleled. One evidence of the general interest in Agricultural Economics that then prevailed was the annual meeting at Chicago of the National Conference of Marketing and Farm Credit. This had many of the appearances of a mass meeting and met each year from 1913 until 1916 inclusively. There were indeed meetings of the representatives of different farm interests from each state in the union and several days were devoted to intense discussions, and a published report of these conferences filling many pages provided both the public and the college classes with information suitable to Agricultural Economics.

All of the conventional phases of agricultural economics – marketing, cooperatives, rural credit, land utilization – were subjects which afforded good materials for classes and have always had generous elections for students. Some effort was early begun to gather material for the marketing or cooperative or rural credit classes by canvassing the local agencies having to do with these matters. Thus in 1913 three-fourths of the year was devoted by the department head to making a survey of Michigan country banks to see what had been done toward providing farmers with credit. This was a United States survey and at the same time was being done in other states.

Some effort was made to survey cooperatives through the mails and through visiting typical ones. Likewise, typical markets were visited. At about 1914, the practice was begun of

holding special farm economics meetings, annually, in conjunction with the Farmer Week Institute roundups and later with the Farmers' Week. These were devoted to subjects treating of farm economics topics. These special gatherings have been conducted until the present time and usually include programs lasting the entire day and half of the following day.

The third decade of this century was in every way the peak period for Agricultural Economics at this college. At the beginning of the twenties decade, a department of farm management itself, with a full professor at its head, was set up among the college courses, and the technical phases of farm organizations, the proportioning of factors, etc. were developed as subject matter of study. Some misfortune encountered, caused the subject matter itself together with the staff, except the head, was turned over to farm economics. At the time too, the first M.S.C. farm economics specialist was employed to handle the work of this subject. As offered to the students at this time, farm economics provided courses in marketing, farm credit, farm cooperation and farm organization and a staff curriculum of farm economics with a considerable staff of teachers, has not failed from then until now.

In 1924 the so-called Purnell Law was adopted by Congress, which provided Experiment Station funds for farm economic studies. The M.S.C. Economics Department at once branched out into all the typical lines of effort customary to a college department in a Land grant college: namely, academic work, experiment station work and college extension work.

Enough has been said about the first of these to show that typical farm economics subjects were the ones taught and classes were always satisfactorily large. Emphasis was always placed on marketing and cooperation studies but farm accountancy, land utilization and other new topics were also added. About 1924, some graduate subjects were introduced and all this work at all times has been well patronized by students. It was apparent that the reflection of field work in agricultural economics benefited the classroom teaching of that subject very greatly.

Not infrequently, classes would be taken on trips to visit important cooperatives or inspect typical markets, like a milk market or a fruit market. Field trips of this sort were of very marked advantage, and at all times the bulletins reporting farm economics studies have furnished supplementary reading of the richest sort for classes studying cognate subjects.

In taking up the research work of the Experiment Station, economics made only an additional one of some fifteen college departments which had been engaged in agricultural research work. The Economics Department benefitted greatly from the experiences of these older departments and their methods and to some extent their equipment was made use of by the new department to its great advantage.

In the twenty years since the Michigan State Economics Department entered into farm economics research, some forty bulletins have been published. These bulletins are approximately sixty pages in size and generally required something like two years to work up and be brought off the printing presses. In general, subjects having to do with marketing have been far the most numerous.

The range of research in this field may be gathered by noticing the different titles of published bulletins which have gone into circulation. These are as follows:

### **MARKETING BULLETINS**

The Detroit Commission of City Milk Administration. 1920.

Marketing Michigan Potatoes. 1925.

The Detroit Milk Market. 1927.

A Study in the Marketing of Michigan Milk for Manufacturing Purposes. 1928.

Lansing Wood Supply. 1930.

Marketing of Michigan Beans. 1931.

\*<sup>2</sup>Fluid Milk Marketing Situation in Michigan. 1931.

Motor Truck Marketing of Michigan Farm Products. 1932.

Public Produce Markets in Michigan. 1934.

Marketing Potatoes in Michigan, with Attention to Market Performance. 1938.

The Kalamazoo Milk Market. 1940.

The Marketing of Milk in Lenawee Country. 1941.

Marketing Michigan Honey. 1943.

It will be seen by this list that dairy products marketing studies are much more numerous than any others. This is largely because dairying is an important agricultural project in process developing its own marketing methods and facilities and therefore show much new phenomena. The Detroit milk market was the preferred field of research over all others since it was also the largest. Research projects on this theme seemed to have been spaced half a decade apart, but so rapidly were the changes in Detroit milk marketing that each succeeding bulletin represented some new phase of the subject.

In the very early 1920's, the cooperative marketing of Michigan's chief products was undertaken on a state-wide scale, the so-called centralized type of cooperative-marketing. Slightly earlier than these years, about 1916, in fact, the Michigan Milk Producers Association was formed as a federation of many local cooperative milk selling plants. This has been the marketing device through which some 90 % of Detroit's milk supply has been handled annually from then until now. Numerous other cities of Michigan are also supplied milk through this gigantic agency. At a little later time, the Michigan Potato Association was organized and from

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<sup>2</sup> Experiment Station, Quarterly Journal Publication

then until now (1945) has been the great cooperative agency through which Michigan potatoes have been sold. At about the same time too, the Michigan Grain Elevators' Cooperative was organized and from then until now (1945) nearly half the beans and grains of the state have been sold through this association. Various centralized cooperative agencies for selling fruit have been set up from time to time. Most important of these probably is the Michigan Cherry Association which handles not only such fruit as this in Michigan but the Wisconsin crop also. Acting as a binder, which brings all of these cooperative into relations with each other for the certain purposes, is the Michigan Farm Bureau, which has broadened out in the twenty years of its history in a large merchandising business.

Affiliated somewhat with the marketing studies of the department's research section was the study of cooperation and it will be seen that, though not so numerous as the marketing projects, some of these cooperative association studies have been among the very most important. These are as follows:

### **COOPERATIVE BULLETINS**

Farmers' Cooperative Buying and Selling Organizations in Michigan. 1928.

A Decade of Michigan Cooperative Elevators. 1938.

Financial Management of Michigan Farmer' Cooperatives. 1942.

Fruit and Vegetable Cooperatives in Michigan. 1942.

The side of farming mainly studied by the economists has to do primarily with profits, therefore it was soon found that taxes were an important concern of the Michigan farmer. Taxation offers a wide field of investigation and study and the list of researches upon this subject shown below indicates in some ways a part of this field. The bulletin entitled. "Farmers' Tax

Guide" proved very popular among the readers of farm bulletins and in later years the question of school support by State taxation has been by far the most important of the taxation studies handled by this department.

#### **TAXIATION STUDIES ARE AS FOLLOWS:**

Michigan Farmers' Tax Guide. 1926.

Taxation of Michigan Rented Farms. 1927.

Farm Real Estate Assessment Practices in Michigan. 1922.

School Taxes in Michigan. 1933.

Land Tax Delinquency in Michigan. 1934

Michigan Tax Trends as Related to Agriculture. 1940.

Some dozen or more of these research studies may be designated as miscellaneous, since they fall under none of the categories above. From year to year the economic interest most prominent on the farmers' list of concern has been taken up and studied. During the business depression, which followed 1929, tax delinquency on the part of two-thirds of the farmers of the state, was manifestly an appropriate study and a bulletin on this subject as the result. An outgrowth, from this same depression, of concern to farmers was the matter of credit and bulletin "Michigan Banks and Short-term Loans to Farmers" was of widespread interest. Michigan being a tourist state, some help was afforded to the problems of this activity by the study of recreational use of Northern Michigan cutover lands. The bulletin on this study took a prominent place. Their miscellaneous bulletins are as follows:

## MISCELLANEOUS

Potato Price Trends (1910-1924). 1926.

Farm Loan System in Michigan. 1926.

A Local Farm Real Estate Price Index. 1927.

Prices of Michigan Farm Products. 1934.

Economics of Cherry Production. 1929.

Rural School Organization in Michigan. 1933.

The U.S. Exports and Imports of Dairy Products. 1933.

Recreational Use of Northern Michigan Cut-over Lands. 1930.

The Production – Consumption Balance of Agricultural Products in Michigan I. Fruits  
and Vegetables. 1936.

The Production - Consumption Balance of Agricultural Products in Michigan II.

Livestock. 1936.

Michigan Banks and Short Term Loans to Farmers. 1941.

The Extension work of this Department, came about in a rather unusual way. In 1915, the Office of Michigan Market Director was set up by the State Legislature and put under the same control as that of the college itself. This was the State Board of Agriculture. By this authority, marketing was made a part of the college Extension Division without any connection with Economics or any other department of any sort. Years went by and there was less interest in the administration of marketing by the state than had formerly been the case. By 1924, it had come to be thought by the college authorities that marketing was too narrow a term to cover the economic interests of the farmers which might be ministered by the methods of extension. This

being the case, in the year mentioned, a full-fledge relationship was set up between the Department of Economics and the college Extension work. The Economics Department was given three or four men to carry out its extension work adequately. From the beginning until the present time, Economic Extension effort has followed three lines. There was (a) the line of economic information, (b) the line of cooperative association organization and (c) the line of business methods in respect to farmers' agencies.

The first of these involved primarily the giving of suitable economic information to groups of farmers. Farmer schools in respect to milk marketing, in particular, were held during several years throughout the dairy section of the state. These would be taught by one or the other of the extension workers of the Department. An extremely important type of economic information shortly became developed. This went by the name of Crop Forecasts and was carried out in conjunction with the Federal Department of Marketing in Washington and in Michigan an Economic Extension worker told the conclusions of a conference at Washington as to what the outlook was for crops for the ensuing year. This was done late in the winter of every year and proved highly interesting to farmers.

The second of the lines indicated above, was that of Cooperative Association organization. The Department never assumed the direct instigation of new cooperatives but its extension workers were ever ready to furnish information as to how the cooperative should be organized. From time to time cooperative organizations developed new phases of a proper organization. It was maintained for many years that a rather informal organization, in which the members received their benefits from the net price at which the members received their benefits from the net prices at which they were sold, was the ideal type of cooperation. Later it was seen that with some classes of cooperatives, at least, a type of organization which acquired profits and

made a dividend to its members had many merits over any other type. Changes like these were of common occurrences and extension workers kept interested farmers apprised of the changes.

A third line of extension activity mentioned above was that of business practices improvement, largely in connection with these cooperatives. In all of them there was the necessity for improved methods of bookkeeping and an economic extension worker had usually to do with teaching these methods. Other details of a business sort that cooperatives needed help on was with regard to their income tax immunity or liability. These were typical of the topics that kept this extension worker very busy. A field of operation in which several of these extension workers found employment was that of being loaned to the Farm Bureau or to the Grain Elevator Association to give these groups expert advice about their business. Upon the whole, the Economic Extension work has been of satisfactory sort.