

# *Recrystalization of Agricultural Enterprise in Montana: Some Theoretic Considerations*

by  
Robert T. Smith

**A**nyone who has lived on the Great Plains or studied its history is aware of the remarkable changes in agricultural enterprise which have taken place in this century. The technology of plains agriculture as of 1900 was that of the early machine age. Steam traction engines and a few primitive horse drawn or steam powered machines were the only indication that farming had changed from the way it had been carried on for centuries. The biggest change, and ironically, the one which most farmers failed to grasp the true significance of, was the change from a land based to a capital based economy. The farmers who found their way onto the Great Plains in the years following the American Civil War thought they were establishing an agricultural society on the model of those which had existed in the eastern United States and western Europe for centuries. In fact, they were (largely unknown to themselves) generating capital to fuel what Walt Whitman Rostow called "the drive to high mass consumption" which dominated thirty years following the American Civil War. The Panic of 1893 precipitated a trend away from individual entrepreneurship which had characterized the post Civil War years, and large combinations variously called corporations, trusts, holding companies, unions, etc. were endeavoring to create a stabilized economic system based on limited competition and high mass consumption. By 1919 that system was pretty much a reality.

The states of the Western Great Plains were still in the process of settlement at the time this process was taking place in the national economy, and, in fact, the great homesteading era in Montana did not come until the years just prior to the outbreak of war in Europe. During the war years these tiny homesteads flourished because of the

dislocations in world economy caused by World War I and the generally good weather which prevailed on the plains. When the harvest of 1918 came in it seemed that prosperity and the good life "down on the farm" had finally arrived for Montana farmers. The difficulties of early pioneering days seemed over. The homesteads were developed; work became easier and more routine. There was more leisure time. Homes had been created by the housewives who had braved the many hardships, with their now realized dream a constant beacon. Small towns and even a few cities had sprung up along the railroad lines which formed a sort of central nervous system for the homesteaders scattered along the right of way. Small crossroads banks, frequently little more than country stores with a safe in the back room, met the limited loan requirements of people they served. These banks and bankers had slight awareness of what might be called sound banking processes and frequently over loaned.

Much of what had happened to the farmers had been experienced earlier by the cattlemen who had found their way into Montana in large numbers following the Sioux wars. By 1919 the livestock industry in Montana was much further along the evolutionary road than other forms of agribusiness. In the beginning, the cattle industry had little resemblance to fixed range agronomy. It was based on a system of open range access developed in Spain and transferred to the Great Plains via Texas. It was very inefficient in terms of land use, and therefore could survive only if a large amount of otherwise unusable land was available. A speculative boom in the open range cattle industry brought many unskilled speculators into the northern Great Plains in the early and middle 1880's. Their naivete led them to overstock the ranges without taking adequate steps to guard against the possibility of a bad winter. They failed also to realize that the price they were paying for beef on the hoof was inflated and had little relationship to the price of beef on the hook.

The bad winter of '86-'87 drove out the speculators and the unknowledgeable. This, in turn, led to a period of consolidation which normally follows abnormal periods of agricultural production. Stockmen and farmers alike will suffer from either a greatly reduced yield or an exceptionally high yield. Consolidation, by its nature, transfers risk to higher levels in the economic pyramid. As risk taking is transferred upward to narrower levels in the pyramid, the risk base then become narrower and hence less stable. The most stable economy is one with the greatest number of independent units in the base of the economic pyramid. The instability of the livestock industry became apparent and by 1910 a full scale effort was underway to disperse risk to lower economic levels. By 1919 the livestock industry

in Montana had already passed through the period of consolidation and was moving into greater dispersal, a phenomenon which was yet to take place in other sectors of agriculture.

The year 1919 was critical for agriculture in Montana. One hardship frequently overlooked was the impact of the great influenza epidemic of 1918-1919. The flu destroyed whole families and whole communities at a time when people were completely unprepared to cope with disaster. They had survived the pioneering years and the anxiety of the war years. Expecting to enjoy the benefits of peace and prosperity, the devastating blow of the influenza epidemic was almost too much to take. That, however, was not the only burden they had to bear. The drought which hit the plains states, Montana included, in 1919, was made far more serious by the unfortunate timing of the rain which did fall. A fact frequently overlooked by commentators is that the timing of rainfall is equally and perhaps even more important than quantity. Too much rain or too little rain at the wrong time can completely ruin a crop, and that was precisely what happened in 1919. The failure of crops in 1919 opened the way for the financial collapse of the homesteader movement. The flu and the drought set the stage for what followed the next year.

Economic hard times on the plains in the early twenties, coupled with capital demand in the eastern and midwestern cities, led to foreclosures and, worse yet, bank failures which crippled the region. Land ownership was transferred to the larger and more sophisticated banks and lending institutions who found themselves in a difficult position. Banks and other lending institutions are designed to deal in capital, not land. Least of all are they interested in, or equipped to manage, a farm or ranch operation. Consolidation had taken place almost in spite of everyone involved.

The collapse of the homesteading movement was inevitable. The homesteaders lacked the economic sophistication or technical know-how to withstand the abnormal market situation which developed as a result of World War I and the drought years which followed. Small farms similar to those of the homesteaders had been able to survive in Europe in the Middle Ages for a variety of reasons. The technology of farming was primitive and easy to master through apprenticeship. The market within which they operated was much much smaller and hence easier to understand. Of special importance in regulating and insuring the survival of small farms in the Middle Ages was the role played by the feudal aristocracy, most frequently portrayed as cruel masters who broke the backs of their oppressed serfs. The truth was somewhat different. The aristocracy played an important role in regulating the life of the farming society. They determined what crops

would be grown, they provided storage facilities, they provided protection from drought, war, and other natural and unnatural calamities which befell a region. In exchange for these services, the farmer forfeited a great deal of his freedom to his leige lord. When called upon, he could be required to work communally on irrigation projects, or fight, or perform a variety of other functions, which, while of general benefit, usually lacked specific benefit to the individual small farmer. Of crucial importance in regulating the relationship between farmer-commoner and the aristocracy was the church. The church not only defined that relationship, it was rather specific about responsibilities and obligations of both classes. Much of this was summed up in the Great Chain of Being, which served to provide order in an otherwise chaotic world.

The great social changes which began with the discovery of the New World and concurrent technical breakthrough (navigational techniques, movable type, etc.) shattered the links of the Great Chain of Being. The problems of operating in a much larger and democratic society (some of the aspects of the instability created by the Great Frontier were social mobility, expanded learning, and democracy) soon attracted the attention of statesmen, intellectuals, and anyone who realized the inherent danger in a situation which was characterized by upheavals, wars, and strife. A group of social philosophers in the 17th and 18th centuries began to examine the problem. Among them were Montesque, Rousseau, Voltaire, Hobbes, Locke, and others.

Their combined thinking seemed to indicate the need for a new sort of social organization. In order to insure a stable world community, the individuals who made up that community would have to surrender some of their individuality to a superior body. They would give coercive power to this body so that it might enforce the desired stability. As the transition from rule by divine right of kings to democratic based government took place in the four hundred year period of the Great Frontier by evolution and revolution, a series of representative bodies were established to provide political stability. But the ordering of the economic sector was made more difficult because of the change from land based to capital based economy taking place simultaneously with transfer of economic control from the old aristocracy to a broad based middle class.

Following the Panic of 1893, large financial interests led by J. P. Morgan and others stepped in to regulate the economy in an effort to control the boom bust cycle which had characterized the preceding four hundred year period. In order to further achieve their objective, a well regulated profit producing economy, the

bankers, industrialists, and others, enlisted the aid of government to help accomplish that end. Indeed, much of the regulatory legislation of the Progressive Era which had heretofore been attributed to anti-business elements now seemed to have originated with the business elements themselves. Party squabbles, World War I, messianic leadership all served to discredit pro-regulator forces immediately following World War I, and ushered in a return to laissez-faire economics as it was imperfectly understood in the 19th century.

The wave of reaction against the efforts of progressive elements in the financial community set in at just the time when reordering was most necessary on the Great Plains. The flu epidemic of the winter of 1918-1919 and the drought which followed in the summer of 1919 began a chain of events which quickly destroyed the very foundations of Montana agriculture. The next year saw the collapse of Montana agribusiness when bank after crossroads bank closed its doors. Liberal loan policies, wise in the boom years of World War I, seemed foolhardy in the dry years of the early twenties. Those banks which did not close frequently found themselves holding large tracts of foreclosed land, land which was an unproductive albatross around the necks of the surviving bankers.

The twenties were a remarkable period in Montana's history. Bankers and visionaries joined hands to search for solutions to the problems facing Montana agriculture. What capital that was available found its way into large scale irrigation projects and experimental farming and ranching ventures directed by professional managers. M. L. Wilson and others at Montana State University directed the efforts of that institution to educate the farmer/stockman and find new ways to insure productivity in rural Montana. In fact, the bankers, the visionaries, the new breed of agribusinessmen could accomplish very little in the 20's except to educate those farmers and ranchers that hung on through those arduous years. They came to realize the need for a planned economy. They came to realize the necessity of surrendering some of their cherished rugged individualism in exchange for security. Most of all, they came to recognize that successful farming or ranching meant access to: one, technical assistance; and, two, money. Unfortunately, they would have to wait for an economic crisis of more than regional scope to generate the aid they needed. That crisis came with an international depression which struck suddenly and with great severity in the fall of 1929. The depression of 1929, along with a second cycle of low rainfall which began in 1929 and continued for ten years, further devastated the Montana economy. By 1935 one quarter of Montana was on relief, a remarkably high figure for an agrarian state. The per capita income dropped

50 percent between 1929 and 1932, the sixth greatest drop in the nation. Joseph Kinsey Howard wrote in *Montana: High, Wide and Handsome*, "for once Montana was thoroughly scared, scared enough to listen respectfully to the men who had been working quietly throughout the 20's trying to sell their fellow citizens on the idea of planning."

The world-wide depression which began in the fall of 1929 was perhaps the best thing that ever happened to Montana agriculture. The answer to that crisis was deficit financing on a truly large scale. Farmers had been operating that way for years, but now the world governments began to do the same thing. In no nation was that more true than in the United States. At the same time the major industrial nations, but especially the United States, found it necessary to come to the aid of their citizens with programs of amazing diversity. Many of these programs involved providing information of all sorts to strengthen and make more efficient the American economic system. Capital, in the form of loans, and jobs through public works programs were another focal point of these government sponsored programs. At no time during the New Deal years, however, was the federal government ever intended to be other than the leader of last resort or the employer of last resort. The New Deal forged in the years of the 30's an alliance between big government and big business the likes of which the world had never seen before. But, where did Montana agriculture fit in this picture?

While partisan politicians grumbled about the New Deal, Montana farmers, stockmen, and agribusinessmen profited immensely from its programs. The hard years of the 1920's had prepared them for the cooperative effort which would be demanded of them. Those same hard years had thinned out the rural population so that farm and ranch sizes would now more accurately reflect the optimum economic unit when the proper mix of technology and manpower was brought to bear in agricultural endeavor. The New Deal created a great expansion of government aid to agriculture, much of which manifested itself in the form of research and development, education, technical assistance for the farmer/rancher. Equally important, the device of deficit financing brought large amounts of capital into the money market: capital which would be used to mechanize and make more efficient the now expanded farm/ranch unit; capital which would provide the economic flexibility necessary for creative farm/ranch management.

Montana farmers and ranchers already prepared by the 1920's quickly accepted the New Deal programs. For example: the per capita expenditure for New Deal programs in Montana between 1933 and

1939 was second highest in the nation; the per capita loans were third highest; the RFC, 19th highest; FERA, fourth highest; CWA, second highest; the WPA, highest; the CCC, seventh highest; the REA, seventh highest; federal expenditures for public roads, fourth highest, and so it went. By the outbreak of World War II Montana agriculture was on its feet turning a profit and accustomed to doing business in an economy dependent of federal and state governments for technical assistance and some form of market management, and upon large and sophisticated lending institutions for the capital so necessary to efficient operation.

The primary story of agriculture in Montana since World War II has been related to the gradual increase in the size of farming units made possible by more sophisticated technology. Bigger and better machinery made average farm sizes larger. That in turn meant that more and more people were forced to leave farming and ranching. Those who remained found that increased operating costs, capital investment, and so forth, tend to minimize any increase in profit which one would expect to result from the larger and more efficient operations. Increasingly, the modern farmer/rancher in Montana, as elsewhere, has become a manager of a given farm or ranch unit working in close cooperation with government and banks to produce wheat or cattle or some other staple. At the same time, he has found a greater share of his profit going to his two partners: the government, in the form of taxes; and the banks, in the form of interest. He now performs a minimum of what might be considered traditional farm labor. Much of the work is contracted out to specialists. His time is better spent in study, market analysis, and other managerial tasks. The better agribusinessmen are able to maximize their profits by investing in agriculture-related businesses such as farm implement agencies or by investing in banks.

Current trends would indicate that farm units will tend to get more efficient in future years, but not necessarily larger. Higher production stimulated by genetic research coupled with better management as a new generation of college trained agribusinessmen take over farming and ranching operations will be the order of the day. Giant corporations will move out of farming at the operational level and concern themselves primarily with lending money for operation and providing financial advice to insure loan repayment. The family-run farm will remain the backbone of farming in Montana, although the independence of the family will be limited to controls exercised by government and banking institutions.

The evolutionary process described above has some interesting theoretic overtones. Much of what happened, and will happen, on the

Great Plains and in Montana in particular was accurately forecast by Walter Prescott Webb in his *The Great Frontier*. Webb hypothesized that the end of the frontier occurring about the turn of the century would see the recrystallization of institutions common in western Europe prior to the discovery of the new lands around 1500. Fernand Braudel would have expected the same thing to have happened, viewing the four hundred year period of the Great Frontier as a mere interruption in the normal conditions which existed because of overriding geological conditions. Clearly then, one should expect to see something similar to the feudal system which was the dominant economic/social system in western Europe prior to 1500 emerge.

If one looks carefully at the events outlined above, that is exactly what is taking place. Several important differences, however, must be noted. First, money has replaced land as the principal unit of economic measurement. It offers several advantages over land. Among others, it is uniform, it is flexible, and it is easily managed. Second, the emerging new farming class is much better off in terms of standard of living, education, and physical well being than that same class in the Middle Ages. Of course, the new farmer class is a much smaller percentage of total society than in the Middle Ages. The new aristocracy is perhaps the most interesting aspect of neo-feudalism. The new aristocracy is not composed of individuals at all, but rather huge collective creatures variously called corporations, unions, or governments. They serve the same function as the aristocracy of middle ages, regulating the activities of society in exchange for profit and prestige. The aristocracy manifests itself in rural Montana in the form of lending institutions and the state and federal government. The farmers are willing to surrender their autonomy to this aristocracy in exchange for security and protection just as the farmers of the Middle Ages surrendered autonomy to their leige lord living in a castle on the hill. Thomas Hobbes in the *Leviathan* pointed the way toward the shape of this new aristocracy. The real quandary is this: What institution will develop in modern society to parallel the medieval church? It was the church which provided the moral system by which both farmer and aristocracy were bound. Ironically, the reformation which shattered that church was caused by the same forces which resulted in the discovery of the Great Frontier.

The thrust of this paper is this: On the Great Plains of North America, examined in this paper as Montana specifically, the recrystallization of western civilization began to manifest itself. It did so logically in the agricultural sector of the Great Plains economy



because that sector was most important and central to all the rest. The modern agribusinessman then will find himself less independent than he was in years gone by, but much more secure, largely as a result of services provided by governments and large corporations, particularly banks, which serve as a new aristocracy providing the planning and order necessary to efficient operation. The family farm will continue to be the keystone of American agriculture, but without the rugged individualism that was part of frontier life. The degree to which the farmer/stockman can adjust to this new situation will be the measure of his success. The degree to which he is happy in this "Brave New World" will be determined by the effectiveness with which a philosophy explaining his place in it is propagated to him. What institution will be responsible for that propagation is still a mystery.

Eastern Montana College