

## CHAPTER II

# LOOKING TO EUROPE: AN EPISODE IN THE POLITICAL DEVELOPMENT OF RURAL COOPERATIVE CREDIT IN THE UNITED STATES

### Introduction

In the wake of a domestic Populist revolt, and following Theodore Roosevelt's suggestion to learn from European experience with rural cooperation, a collection of congressional committees, public and privately sponsored commissions, and policy-oriented groups combined to formulate the first phase of a long-sought rural credit reform. A former professor of comparative public administration, President Woodrow Wilson, culminated the Progressive Era rural credit reform efforts when he signed the Federal Farm Loan Act (FFLA) into law July 17, 1916. Comparisons between the shortcomings of agricultural finance in the United States and the widespread successes of European cooperative rural credit were a centerpiece in the national debate during the years 1912-1914. While the FFLA did not represent a direct transfer of a European model, the distinctively American

Federal Land Bank system for farm mortgage credit was based on a comparative study of rural organization in the United States and Europe.<sup>1</sup>

This chapter details an important agenda-setting episode in the political development of the rural credit reform movement. It examines the years when European rural credit practices appeared in the press as a source of inspiration and evidence for influential agrarian reformers. Between early 1912 and 1914, the idea of looking to Europe for models of cooperative rural credit began to dominate public discussions about the future of American agriculture. During the years 1913-1916, agricultural finance, as implemented abroad, was one of the most salient issues on the policy agenda in Congress.

Why begin the empirical research into the viability of H1 (proximate origin hypothesis) and H2 (rise of agenda-setting hypothesis) with an examination of the efforts to learn from European rural credit practices and policies? The answer emerges from primary and secondary accounts of the origin of the FFLA. In both sources, one of the most prevailing themes was the consideration of European approaches. This chapter establishes the political context for developments examined in Chapters III through VIII, and is closely linked to Chapters III and IV. Taken together, the first three empirical chapters suggest there was

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<sup>1</sup>Woodrow Wilson was one of the better known professors of public administration regularly looking to European models of "what to do" and "how to do it" toward the end of the nineteenth century. See Caine, 17; and Orren and Skowronek, "Beyond the Iconography," 313. Not every early social scientist admired the tradition of radicalism found in European policymaking. Consider Harry C. McDean, "Professionalism and the Rural Social Sciences, 1896-1919," Agricultural History 58, no. 3 (July 1984): 380.

substantial business support for efforts seeking new agrarian legislation at the national level (H1). This was accompanied by growing confidence in the efficacy of reform efforts that relied on the agenda-setting function of the press (H2). This episode in American political development set the reform agenda in motion. It not only generated consistent press coverage in support of a coherent, urban agrarian agenda, it also identified for the public and government officials key private sector policy entrepreneurs. Perhaps most importantly, this episode framed the major criteria by which the public was to judge the necessity and scope of proposed rural credit reform.

Some historians have been reluctant to acknowledge the importance of the multifaceted studies of Europe's cooperative rural credit. For example, commenting on the results of various efforts at looking to Europe during this period, Saloutos and Hicks found "little tangible evidence that much of lasting importance resulted from these investigations."<sup>2</sup> Similarly, writing just after the passage of the FFLA, the rural credit scholar George Putnam noted that even "the members of the commissions who have studied at first hand the various systems in operation in foreign countries seem to have gained little from their investigations except a dignified enthusiasm for reform."<sup>3</sup>

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<sup>2</sup>Theodore Saloutos and John D. Hicks, Twentieth Century Populism: Agricultural Discontent in the Middle West, 1900-1939 (Lincoln, NE: University of Nebraska Press, 1951), 61.

<sup>3</sup>Putnam, 52.

This chapter contests these historiographic dismissals of the role that looking to Europe played in setting the policy agenda. Prominent figures involved in the design of the FFLA-created institutions in fact presented a coherent and sustained argument about the need to copy Europe's success with cooperative rural credit. Early in the agenda-setting process, the actors introduced in this chapter defined the parameters of the rural finance debate. It was to be a debate in which the benefits of European-style self-help for farmers stood in stark contrast to the presumed dangers of direct government financial aid going to a single class. Some of the elite agrarians present at the FFLA signing ceremony had tried for several years to make European cooperative rural credit a part of the American financial and legislative lexicon. They did so, however, without making any provision for a federal subsidy or guarantee to back the proposed system.

One such elite reformer was the irrepressible David Lubin. A successful California merchant who, having made his fortune in the mail-order and retail business, turned to the work of a visionary propagandist on behalf of agriculture. He was the founder of the International Institute of Agriculture (IIA) at Rome, which is described in detail below. For years, Lubin encouraged American farmers, farm organizations, editors, and policymakers to learn more about European cooperative rural credit through the literature of the IIA.

Another influential reformer present at the signing ceremony was Democratic Senator Duncan U. Fletcher of Florida. The New York Times reported that Fletcher received the gold pen used by Wilson to sign the act into law. During this period, Fletcher served as Chair

of the Senate Committee on Printing, skillfully using the Government Printing Office to aid the propaganda goals of the rural credit movement. He was also the president of a nonpartisan, peak regional business organization known as the Southern Commercial Congress (SCC), which lionized Lubin and heralded his plans for looking to Europe. In addition, Fletcher was the Chair of several important public and private commissions that traveled with great fanfare to Europe. Senator Fletcher and the SCC effectively mobilized support for a credit reform on behalf of Southern business leaders and the more conservative "Mossbacks" in Congress. At that time, Mossbacks constituted a powerful bloc, one that liked the idea of increasing rural productivity and prosperity through self-help, particularly if it could be done without the need for direct government lending to relieve farmers credit burdens.<sup>4</sup>

Federal action on rural credit reform was achieved only after a protracted and complex public debate about sharply contested principles of economic and political governance. Congress abandoned the prevailing market arrangement and inaugurated a system of federal subsidy, regulation, and guaranty for a portion of the nation's agricultural capital markets. Passage of the FFLA marked a juncture in the development of both the agricultural economy and the expansion of the modern American state. As the first of many

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<sup>4</sup>Gertrude H. Stephens, "Senator Duncan U. Fletcher--Legislator" (Master's thesis, University of Florida, 1951), 62; "President Signs Rural Credit Bill," New York Times, 18 July 1916, 5. Earlier the Times had charged the bill was "economically alien" because it was based "not upon any careful study of the requirements of American agriculture, but upon the socialistic experiments of Europe in cooperative finance." See "A Dangerous Measure," New York Times, 22 May 1916, 10.

subsequent interventions in the nation's farm finance, the FFLA set a precedent for legislative responses to the perception of a significant market failure. According to land credit scholar Allan G. Bogue, "If we seek basic structural change as a prerequisite for periodization the passage of the Federal Farm Loan Act of 1916 obviously heralds a new era in the history of farm land credit." As Bogue points out, "the seed of fundamental change" was planted with the passage of this law.<sup>5</sup> For example, it took this act of federal intervention to bring amortization from Europe to the land credit markets of the United States. Prior to the FFLA, farmers faced costly renegotiation of their loans at least every three to five years.

At the climax of nearly four years of investigation into a rural credit policy transplant, significant agricultural capital market failures were being widely reported, often by official sources. For example, in 1915 the Commission on Industrial Relations called attention to "the acute unrest of a militant tenant movement" exacerbated by poor credit facilities.<sup>6</sup> Meanwhile, John Skelton Williams, the Comptroller of the Currency, reported that

some national banks in nearly every part of the country, and nearly all banks in certain sections, have been charging rates of interest on some of their loans which are not only illegal and usurious, but which are intolerable, and if continued inevitably must sap the strength of their

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<sup>5</sup>Bogue, 93. Others have noted the Land Banks, while not a hegemonic force, did infuse the mortgage credit market with a "greatly intensified" level of competition. See A. C. Wiprud, The Federal Farm Loan System in Operation (New York: Harper, 1921); and Archibald M. Woodruff, Jr., Farm Mortgage Loans of Life Insurance Companies (London: Oxford University Press, 1937), 24-25.

<sup>6</sup>Congress, Senate, Industrial Relations, 64th Cong., 1st sess, S. Doc. 415, vol. 1 (Washington, DC: Government Printing Office, 1916), 86-89.

customers and injure the communities in which they operate.<sup>7</sup>

Comptroller Williams made a widely reported public speech calling attention to country bankers who were "literally crushing the faces of their neighbors, deliberately fastening their fangs in the very heart of poverty."<sup>8</sup> The publicity given to the Skelton comments and report, along with his testimony before Congress, swayed skeptical farm press editors who found it necessary to reconsider their earlier objections to the rural credit reform movement.<sup>9</sup>

During the years leading up to the Skelton exposé in late 1915, an elaborate policy network had been formed, loosely based on the increasing perception of the great success achieved by European rural cooperative credit associations. In 1912, Herbert Myrick, a prominent farm press publisher (see Chapter V), monetary theorist, and champion of cooperative finance in the United States, made it clear why there was growing admiration among agrarian reformers for the power of European cooperative credit:

There is no exaggeration in the statement that the remarkable progress in European agriculture during the past twenty years, is due in large measure to the successful development of cooperative finance. It has fostered education in agriculture and in other sciences,

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<sup>7</sup>John Skelton Williams, Annual Report of the Comptroller of the Currency, vol. 1 (Washington, DC: Government Printing Office, 1916), 23.

<sup>8</sup>"Straight from the Shoulder: Startling Address on Banking Methods New Argument in Rural Credit Fight," National Grange Monthly 12, no. 11 (November 1915): 17.

<sup>9</sup>"Interest Rates," The National Stockman and Farmer 39, no. 31 (30 October 1915): 1; Alan Secor, "Pointing Out a Condition That Must Be Remedied," Successful Farming 15, no. 6 (June 1916): 5.

promoted better farming, encouraged co-operation in buying farm supplies and to a less extent in marketing farm products, and is raising the whole standard of civilization among the farmers, with social, political and economic consequences of transcending importance.<sup>10</sup>

As farm trade papers scrutinized European approaches, mixed viewpoints emerged about the prospects for a rural credit policy transplant. Beginning in 1913, southern editor Clarence Poe (The Progressive Farmer) ran a regular column under the banner "Education, Cooperation, Legislation." Poe reported favorably on his travels through Europe and generally saw great prospects for copying the success of Denmark or Ireland in reducing tenantry with the help of cooperative rural credit.<sup>11</sup> At the same time, Uncle Henry Wallace (Wallaces' Farmer), E. S. Bayard (The National Stockman and Farmer), and B. F. Harris (The Banker-Farmer) exemplified more skeptical editors who thought better farming, not a foreign system for getting into more debt, constituted the only wise policy.<sup>12</sup> Agrarian policy

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<sup>10</sup>Herbert Myrick, Cooperative Finance: An American Method for an American Problem (New York: Orange Judd, 1912), 210, 321. Myrick was a pioneer in the movement, publishing How to Cooperate (New York; Orange Judd, 1912) on the "various forms of associated effort" in America and Europe. Myrick's popular farm papers lobbied for credit reform by denouncing "rural Shylocks" whose crime was to rob farmers with high interest rates and charges. See "The Farmers' Battle in Congress," American Agriculturist, 25 March 1916, 2; and "The Rural Money Trust," The Orange Judd Weekly Farmer, 13 November 1915, 12.

<sup>11</sup>Clarence Poe, "Education, Cooperation, Legislation," The Progressive Farmer 28, no. 42 (18 October 1913): 15. The firsthand reports from Europe were compiled along with Poe's writings on American cooperative successes in How Farmers Cooperate and Double Profits (New York: Orange Judd, 1915).

<sup>12</sup>"Agricultural Credit," Wallaces' Farmer 38, no. 26 (27 June 1913): 3; "Credit Systems," The National Stockman and Farmer 36, no. 12 (20 June 1912): 1; B. F. Harris,

commentators were forced by the weight of press attention devoted to the subject to take a position on the issue of adapting European cooperative credit systems to fit American conditions.

Prior to 1890, European systems of cooperative rural credit were relatively unknown in the United States.<sup>13</sup> This began to change during the late 1880s when serious problems developed in the farm mortgage business. The question of whether there might be a better way to finance rural development safely and efficiently started to appear in the writings of aspiring monetary theorists. In 1890, the United States Census Bureau collected the first data on farm mortgages. By 1892, the United States Department of Agriculture (USDA) had published a monograph suggesting that the rural financial cooperation practiced in Europe, while not to be considered a "panacea," was nevertheless one of the "active, growing, and beneficent forces of modern economic life."<sup>14</sup>

European financial systems received renewed, though still not widespread, attention during the first decade of the 1900s. The National Monetary Commission, created in 1907, issued a 478-page report in 1910 detailing the efficient cooperative rural credit systems of

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"Agricultural Credits--What Plan Do We Really Need?," Banker-Farmer 1, no. 1 (December 1913): 5.

<sup>13</sup>George K. Holmes, "The Sources of Rural Credit and the Extent of Rural Indebtedness," Monthly Bulletin of Economic and Social Intelligence 4, no. 4 (April 1913): 116-32.

<sup>14</sup>Edward T. Peters, Cooperative Credit Associations in Certain European Countries and Their Relation to Agricultural Interests (Washington, DC: Government Printing Office, 1915), 18, USDA Division of Statistics Report No. 3.

Germany.<sup>15</sup> Also in 1907, President Roosevelt embraced the rally cry of Sir Horace Plunkett, leader of the Irish Agricultural Organization Society (IAOS), whose motto "better farming, better business and better living" appeared in the cover letter to the 1909 report of the Country Life Commission (CLC).<sup>16</sup> Roosevelt announced that farmers in Europe were benefiting from organized cooperation and that American farmers could do as well. With the issuance of this report, looking to Europe for models of cooperative marketing, distribution and finance--such as those exemplified by the IAOS, German land banks, and the Danish farmers' societies--became a goal worthy of a government-sponsored publicity campaign on the broad subject of rural life. At the 1909 meeting of the National Grange, a Plunkett correspondence was read into the record. In it, the IAOS leader suggested European rural credit associations "illustrate better than any other form of farmers' combination the potentiality of a really well thought out and organized system of coöperation."<sup>17</sup>

Also in 1909, the president of the National Farmers' Union (NFU) Charles S. Barrett wrote that the "credit system and farm mortgage usages throughout the country is one of the

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<sup>15</sup>National Monetary Commission, Miscellaneous Articles on German Banking, 61st Cong., 2d sess., S. Doc. 508 (Washington, DC: Government Printing Office, 1910).

<sup>16</sup>Liberty Hyde Bailey and others, Report of the Country Life Commission, 60th Cong., 2d sess., S. Doc. 705 (Washington, DC: Government Printing Office, 1909).

<sup>17</sup>Sir Horace Plunkett, "Ireland's National Grange," in Journal of Proceedings of the National Grange of the Patrons of Husbandry Forty-third Annual Session, Des Moines, Iowa, ed. Secretary C. M. Freeman (Concord, NH: Rumford Press, 1909), 41. In his book on rural America, Plunkett recalls visiting Roosevelt and Gifford Pinchot during the winter of 1905-1906, and inspiring them to investigate how cooperation had improved Country Life in Ireland. See Plunkett, The Rural Life Problem (New York: Macmillan, 1910), 4-22.

baneful curses of farm life."<sup>18</sup> It was curious, however, that the legislative committees of the NFU and the National Grange neither advocated, nor even mentioned, rural credit reform well into the election year of 1912. The focus of the two largest farm organizations lay elsewhere. Barrett, for example, urged members of the Farmers' Union to clip and mail petitions to their member of Congress on four issues: prohibition of gambling on farm product futures, parcels post, direct election, and immigration restrictions.<sup>19</sup> A statement by T. C. Atkeson, State Master of West Virginia and a leader of the National Grange, pointed to four "Grange measures" existing in Congress: the objectionable revision of the oleomargarine laws, parcels post, vocational education, and direct election.<sup>20</sup> Acknowledging the relative silence of the Grange on the issue of rural credit, National Master Oliver Wilson noted in his November 1913 annual address that "the time has come when the National Grange should be heard upon this very important issue."<sup>21</sup>

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<sup>18</sup>Charles S. Barrett, The Mission, History and Times of the Farmers' Union (Nashville, TN: Marshall & Bruce, 1909), 98-99.

<sup>19</sup>Charles S. Barrett, "Political Harvest Time," Pacific Farmers' Union 3, no. 29 (29 March 1912): 4.

<sup>20</sup>"About National Legislation," National Grange Monthly 9, no. 6 (June 1912): 3.

<sup>21</sup>Oliver Wilson, "Worthy Master's Annual Address," in Journal of Proceedings of the National Grange of the Patrons of Husbandry: Forty-Seventh Annual Session, Manchester, New Hampshire, ed. Secretary C. M. Freeman (Concord, NH: Rumford Press, 1913), 10-17. The NFU and the National Grange supported a plan, sponsored by Congressman Bathrick of Ohio, for direct government loans to farmers. See R. F. Duckworth, "National Legislative Committee Report," Pacific Farmers Union 5, no. 11 (20 March 1913): 1; and "Practical Farm Credit Plan," National Grange Monthly 10, no. 7 (July 1913): 12. The failure of the farm organizations to lead on the matter of looking to Europe is detailed in Chapters

David Lubin: Pioneer, Merchant, Philosopher, and Propagandist

Despite apparent farm-organization disinterest in the years leading up to it, 1912 marked the beginning of the most intense period of public examination of rural credit problems and possible solutions. Public, private, and international institutions publicized the merits of European rural cooperative credit in the American press. Policy entrepreneurs like David Lubin placed the issue of cooperative rural credit in the spotlight of national media attention. Lubin was widely acclaimed as the single person most responsible for focusing public debate about rural credit on existing organizations in Europe. An admiring farm journalist remarked, "He is of the type so often not appreciated till he is dead. His philosophy is too deep for the masses to grasp instantly and his disinterestedness too profound for the politician."<sup>22</sup>

Lubin made certain a series of articles published in the Monthly Bulletin of Economic and Social Intelligence (hereafter cited as Bulletin) appeared in the American press and as public documents of the United States Senate. His goal was to alert agrarians and

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VII and VIII.

<sup>22</sup>J. W. Jeffrey, "Legislative Economics," California Cultivator 39, no. 25 (19 December 1912): 612. See also Holmes, in "The Sources of Rural Credit," who noted public opinion was aroused by Lubin, whose suggestions about looking to Europe were discussed "in probably all of the newspapers and magazines, and the commercial, financial and trade papers of the nation" (119). Other press accounts support this claim. See T. J. Brooks, "Rural Cooperative Credit," The Progressive Farmer 27, no. 18 (4 May 1912): 20; and "Cooperative Banks and American Farmers," American Review of Reviews 45, no. 4 (April 1912): 615-17.

policymakers in the United States to the existence of working models of rural cooperative credit in Europe, particularly the land banks of Germany.<sup>23</sup> The Bulletin, first published in 1910, featured detailed surveys from around the world describing various forms of agricultural cooperation. General monographs provided both qualitative and quantitative information. Favorable reports of rural cooperation for credit, dairies, insurance, and many other types of organizations filled the pages of the Bulletin. Readers were presented with an appealing and straightforward proposition that "the main principle underlying all forms of cooperative credit is that if a group of persons combine to furnish a collective guaranty they can, on the security of that guaranty, obtain money at lower rates of interest than they could obtain it individually."<sup>24</sup>

Every issue of the Bulletin called attention to the work of its parent institution, the International Institute of Agriculture (IIA), with its headquarters in Rome. Founded in 1905, the IIA was the predecessor to the Food and Agriculture Organization (FAO) of the United

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<sup>23</sup>For an example of Lubin's unswerving advocacy for the German Landschaft model of land mortgage credit, see Department of State, A Practical National Marketing Organization and Rural Credits System for the United States: Hearing before the Department of State, 21 June 1915 (Washington, DC: Government Printing Office, 1915), 9-16.

<sup>24</sup>"Cooperative Agricultural Credit During the Year 1909-1910," Monthly Bulletin of Economic and Social Intelligence 3, no. 1 (January 1912): 59-80; "The Development of Rural Banks Affiliated to the Raiffeissen Federation," Monthly Bulletin of Economic and Social Intelligence 3, no. 2 (February 1912): 3-26. For an example of the Bulletin published as a United States government document, see Congress, Senate, Systems of Rural Cooperative Credit, 62d Cong., 2d sess., S. Doc. 574 (Washington, DC: Government Printing Office, 1912).

Nations.<sup>25</sup> The IIA was the first international organization dedicated to the task of generating and publicizing world agricultural data. Forty nations ratified a 1905 treaty that created the institution; eleven additional member nations were added by 1913. When year-round work began in 1908, it represented a clear triumph for the Institute's founder, David Lubin.<sup>26</sup>

The report of the U.S. delegation to the 1913 IIA general assembly described the institute as a massive data-gathering and publishing operation. Each of the bureaus sought to collect, study, and publish statistical, technical, and economic information on agricultural conditions in the member nations. For example, the Bureau of General Statistics released figures on world agricultural production by gathering government reports on staple crops. The Bureau of Agricultural Intelligence and Plant Diseases published the latest scientific material. In addition to "a considerable number of monographs on special subjects," excerpts and abstracts of the 2,225 official and unofficial publications received by the institute appeared in two annual, three monthly, and one weekly publications.<sup>27</sup>

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<sup>25</sup>David Lubin: An Appreciation [Pamphlet] (New York: Food and Agriculture Organization of the United Nations, 1969). This pamphlet was published after a June 1969 session of the FAO recounting time spent during the 34-nation meeting commemorating the life and work of Lubin, who was praised as one of the great originators of "cooperation between countries." See also Willard Thompson, "David Lubin: Sacramento's Pioneer Merchant-Philosopher," Golden Notes 32, no. 1 (spring 1986), 1-27.

<sup>26</sup>Asher Hobson, The International Institute of Agriculture: An Historical and Critical Analysis of Its Organization, Activities, and Policies of Administration (Berkeley, CA: University of California Press, 1931); Olivia Rossetti Agresti, David Lubin: A Study in Practical Idealism (Boston: Little, Brown, 1922).

<sup>27</sup>Congress, Senate, International Institute of Agriculture at Rome, 63d Cong., 1st sess., S. Doc. 196 (Washington, DC: Government Printing Office, 1913), 6. See also

In his annual report for the year 1913, the Permanent Delegate of the United States, Lubin, expressed concern about the "equitable" distribution of IIA literature in the United States. It was described as a "perplexing problem," since Lubin believed the IIA publications created a supply of information that met President Wilson's goals for the New Freedom by "throwing the light of publicity on economic matters which concern the people." Lubin suggested the Agriculture and Commerce Departments might receive the printed matter of the IIA in bulk, sent through embassy mailbags under franking privileges, with the savings in overseas postage allowing wider distribution of free publications. Every publication would then reach a range of target groups, institutions, and individuals. The Yearbook of Agricultural Legislation would go to important libraries and members of Congress. The International Yearbook of Agricultural Statistics, providing an inventory of the world's agricultural resources, would go directly to farmers and Chambers of Commerce. The Monthly Bulletin of Economic and Social Intelligence was intended to reach Granges, farmers' institutes, colleges and universities. Lubin claimed distribution of the Bulletin in the United States already had "the effect of arousing nationwide interest" in Europe's rural cooperative credit systems.<sup>28</sup>

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Hobson, 25-47, who notes that at the IIA the "American room became in reality a mailing room" from which Lubin would send up to fifty thousand documents at his own expense to his personal mailing list of farmers, farm organizations, and policymakers in the United States.

<sup>28</sup>Congress, Senate, "International Institute of Agriculture at Rome," 37-39.

The Southern Commercial Congress and the Founding  
of the American Commission

Efforts to bring home the merits of European cooperative rural credit to the American people intensified during the election year of 1912. Organizers at the Southern Commercial Congress (SCC) found the IIA information on cooperative finance compelling. Lubin was invited to appear at the annual SCC meeting in Nashville. At Lubin's insistence, a special six-day session on agricultural finance took place just prior to the gathering. Lubin reported he was struck by the diversity of ideas at the SCC meeting. While some favored "cheap money," Lubin insisted it was simply a matter of putting money in its most effective, or "dynamic," form--that is, available for collective use by cooperating groups. The message delivered by Lubin in Nashville was that "adoption of the European systems of rural cooperative credit in a form modified to meet the needs of the American farmers would do away with . . . the trust, with this throttler of the farmer."<sup>29</sup>

The IIA project of supporting rural development by increasing the flow of information to farmers and policymakers fit with the organizing principles of the SCC. Founded in 1908 by officers of the southern Chambers of Commerce and Boards of Trade, the SCC was conceived as "a centralized source of information and inspiration for local organizations, a national office for each, a cooperative bureau for assembling and circulating nationally the

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<sup>29</sup>David Lubin, International Institute of Agriculture, 62d Cong., 2d sess., S. Doc. 855 (Washington, DC: Government Printing Office, 1912), 7.

broad facts regarding industrial, commercial and agricultural possibilities and progress in the South." The SCC was a public relations organization doing for the region what every Chamber of Commerce and Board of Trade did for its local community. It sought to bring the best economic development information to the people of the South and to project a positive image of the region to the rest of the nation and the world. SCC Secretary E. L. Quarles described the work of the group this way:

It will be seen that though this organization could go into the field of actual advertising if it had the funds, still its broadest field for propaganda is that of publicity as distinguished from advertising because the newspapers and magazines of this country are rapidly recognizing that the very facts which we desire the Nation to see are literary material.<sup>30</sup>

In 1912 the SCC began publishing its own monthly bulletin in a newspaper format. It was a "means of placing the constructive, statesmanlike activities of the Congress under the

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<sup>30</sup>Edwin L. Quarles, "History and Purposes of the Southern Commercial Congress," in Proceedings of the Third Annual Convention of the Southern Commercial Congress Held at Atlanta, Georgia, March 1911, ed. Secretary Edwin L. Quarles (Washington, DC: Southern Commercial Congress, 1911), 26-35. On the early work of the SCC, see Wanda deNux Frey, "The Southern Commercial Congress, 1908-1911: A Twentieth Century New South Movement" (Master's thesis, University of Southwestern Louisiana, 1972), 1-14. The SCC also sponsored an agricultural lecture series by the U.S. envoy to Denmark in the spring of 1912. See Maurice Francis Egan, Notes on Agricultural Conditions in Denmark, 62d Cong., 3d sess., S. Doc. 992 (Washington, DC: Government Printing Office, 1913). According to one historian, the SCC "worked unobtrusively for legislation which prosperous Southern businessmen desired. . . . Although Democrats probably controlled the Commercial Congress, both Roosevelt and Taft invariably deferred to it." Robert H. Wiebe, Businessmen and Reform: A Study of the Progressive Movement (Cambridge: Harvard University Press, 1962), 113.

notice of the editors of the nation."<sup>31</sup> A six-day rural credits conference, held in conjunction with the annual meeting of the SCC, and run by Lubin, produced a grandiose plan to provide fodder for the literary canons of the nation's press. Resolutions were adopted announcing the intention to send a traveling commission to Europe, with two representatives from every state. It would be an investigative body charged with studying the "progressive agricultural communities in production and marketing, and in the financing of both these operations." The "American Commission" would sail under the management of the SCC. The three-month tour was based on an itinerary set by Lubin and Plunkett. Delegates would be instructed to adopt a "jury of inquiry" method of investigation, witnessing operations, hearing presentations, and asking questions of the best authorities on the European continent.<sup>32</sup>

The commission to Europe received endorsements in all three political party platforms during 1912. Republicans thought it necessary to "urge an authoritative investigation of agricultural credit societies and corporations in other countries and the passage of state and

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<sup>31</sup>Clarence J. Owens, "Announcement," Monthly Bulletin: The Southern Commercial Congress 1, no. 1 (September 1912): 1, the Papers of Dr. Lillian Johnson, reproduced at the National Archives, RG 103, NC 28, Entry 1, Box 1.

<sup>32</sup>Congress, Senate, American Commission for the Study of the Application of the Co-operative System to Agricultural Production, Distribution, and Finances in European Countries, 62d Cong., 3d sess., S. Doc. 1071 (Washington, DC: Government Printing Office, 1913), 3-15. C. J. Owens, managing director of the SCC, confirmed that IIA research published at Lubin's urging in the United States helped to explain the "remarkably influential support" garnered by the American Commission. Presidents Roosevelt, Taft, and Wilson wrote letters of support, while other endorsements included The National Grange, which later grew hostile to the effort, and the United States Chamber of Commerce, which presented the efforts of Senator Fletcher, Lubin, and the SCC in a highly favorable light.

Federal laws for the establishment of and capable supervision of organizations having for their purpose the loaning of funds to farmers." Democrats pledged "that an investigation of agricultural credit societies in foreign countries be made, so that it may be ascertained whether a system of rural credits may be devised suitable to the conditions in the United States."

Looking to Europe similarly appealed to Progressives, who admired the rural cooperative credit societies that seemed to define the very notion of well-ordered Country Life in 1912. Progressives employing Plunkett's rhetoric pledged "to foster the development of agricultural credit and co-operation . . . directly promoting the welfare of the farmers, and bringing the benefits of better farming, better business and better living within their reach."<sup>33</sup>

Myron T. Herrick: Banker, Lawyer, Diplomat,  
and Rural Credit Expert

While efforts on the part of Fletcher's SCC and Lubin's IIA received the greater part of early press recognition for the bipartisan appeal, another significant player had quietly emerged as a national authority on the rural credit policy transplant process. Banker, lawyer, and diplomat Myron T. Herrick took an early and passionate interest in the applicability of European rural credit organizations in the United States. Herrick gained his finance experience as the treasurer, chairman of the board, and president of the Society for Savings in Cleveland, Ohio, one of the nation's largest mutual savings banks. He went on to assume

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<sup>33</sup>Donald Bruce Johnson and Kirk H. Porter, eds., National Party Platforms (Urbana, IL: University of Illinois Press, 1973), 171, 177, 185.

directorships in major railroad and trust companies. A close ally of Marcus Alonzo Hanna, while also a friend and benefactor to William McKinley, Herrick was a dominant influence in the Republican national party organization at the turn of the century.<sup>34</sup>

As early as 1910, Herrick had written to Secretary of Agriculture James Wilson on the subject of looking to Europe for a rural finance model.<sup>35</sup> As a former president of the American Bankers Association (ABA), and former Governor of Ohio, Herrick successfully brought the idea of investigating European rural finance before the ABA at its November 1911 annual meeting. The ABA formed a committee on agricultural and financial development to study conditions at home and abroad. Over the years 1912-1916, numerous articles by and about Herrick appeared in the farm, business, and popular press, contributing to his reputation as one of the most prolific and well-studied participants in the rural credits policy transplant debate.<sup>36</sup>

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<sup>34</sup>Dumas Malone, ed., Dictionary of American Biography, vol. 8 (New York: Scribner, 1932), 587-89; Henry S. Sherman, Myron T. Herrick: Cleveland Banker, Governor of Ohio, Ambassador to France--And the Society for Savings, "Address to the Cleveland Dinner of the Newcomen Society of England (Princeton, NJ: Princeton University Press, 1949), 18. McKinley literally owed his political career to Herrick, who orchestrated a bailout of over \$100,000 of unpayable McKinley debt at a critical moment in his run for the Republican Presidential nomination. Herrick was receiving reimbursements on this debt from the President until McKinley's assassination.

<sup>35</sup>Myron T. Herrick, Cleveland, Ohio, to James Wilson, Washington, DC, 26 August 1912, transcript in National Archives, RG 16, Records of the Commissioner and Secretary of Agriculture, Box 67, 1-2.

<sup>36</sup>Some of the numerous articles by and about Herrick include Myron T. Herrick, "Banks for the Farmer," Moody's Magazine 14, no. 3 (September 1912): 185-89; Herrick, "The Farmer and Finance," Atlantic Monthly 111, no. 2 (February 1913): 170-78; and

Herrick accepted the post of Ambassador to France in February of 1912, only after having made an explicit agreement with President Taft that he would continue his work on the rural credit project. Taft's interest in rural credit was intensified by election year pressures. He directed Secretary of State Knox to write a March 30, 1912, letter instructing American embassies and legations in five European nations to undertake a study of land and agricultural credit, with all reports to be forwarded to Paris.<sup>37</sup> Herrick assembled the findings and issued a preliminary report to the President. In correspondence to Secretary Wilson, Herrick noted how his enthusiasm "aroused the antagonism of Mr. Lubin," who interpreted the interest of American bankers in the movement as a clear danger to the interests of farmers.<sup>38</sup>

Herrick's widely publicized preliminary report was forwarded by President Taft to state governors on October 11, 1912, along with a cover letter urging them to confer with him on the subject of rural credit at the end of their December conference in Washington, DC. Taft strongly endorsed the recommendations made by Herrick, suggesting the report convinced him of "the adaptability to American conditions of the cooperative-credit plan," and further that the "need for establishment of an adequate financial system as an aid to the farmers of this nation country is now generally recognized." Noting the average interest rate for American farmers, including the lenders' periodic commissions, was roughly 8.5%, while the

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"Credit Ideas," The National Stockman and Farmer 39, no. 11 (12 June 1915): 1.

<sup>37</sup>Col. T. Bentley Mott, Myron T. Herrick: Friend of France (Garden City, NY: Doubleday, Doran, 1929), 85-96.

<sup>38</sup>Herrick to Wilson, 2-4.

farmers of France and Germany were paying 3.5-4.5%, Taft concluded the farmer in the United States "suffers unreasonably." While the federal and state governments had done a great deal to aid agriculture, it still remained a federal responsibility "to reduce the cost of the farmer's production by affording him the necessary capital for the exploitation of his soil on the most advantageous terms."<sup>39</sup>

Herrick presented the report as just "a few suggestions" to improve the land and agricultural credit of the United States. Cooperative credit associations were described by Herrick as the basis for rural prosperity in Europe. "With their aid," he wrote, "poverty and usury have been banished, sterile fields have been made fertile, production has been increased, and agriculture and agricultural science raised to the highest point." Cooperative societies raised the level of thrift and self-reliance, while producing an "elevated" moral tone. A key element in the report concerned the potential role of government financial aid in the establishment of cooperative rural credit. Vehement opposition to such a provision was a view that Herrick championed during the next four years of debate on the subject of land credit. Provisions for government aid became the main point of contention during the 1914-1916 congressional debates. Herrick reported that some of the cooperative banks in Europe benefited from state financial aid, but this was an avoidable mistake from his point of view:

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<sup>39</sup>Congress, Senate, Preliminary Report on Land and Agricultural Credit in Europe, 62d Cong., 3d sess., S. Doc. 967 (Washington, DC: Government Printing Office, 1912), 3-7.

A very general practice is the distribution of subsidies through State-endowed central banks at rates that allow the peasants to obtain money below the ordinary market figures. It is not conceivable that the American farmers would accept such assistance from the Government and thus become a privileged class supported in part by the rest of the people. The State-aid program in Europe has made its way against the opposition of the true exponents of cooperation, because it violates the cardinal principle of self-help upon which the idea is founded.<sup>40</sup>

Taft's enthusiastic treatment of the Herrick report and the plans for a conference with the nation's governors greatly pleased the Ambassador to France. In a letter dated October 25, 1912, Herrick displayed the enthusiasm which supported Lubin's concerns about the prominent banker-diplomat's activity. Writing about rural credit reform, Herrick remarked, "I am obsessed with this subject, and convinced that if you could get before the public a brief outline of the European situation, it would be of immense value, for no one can possibly find fault with it, or charge it to partisan politics."<sup>41</sup>

Six weeks later, the annual convention of the nation's governors provided an opportunity for the recently defeated President to make just such a public statement about the need to look to European models of cooperative rural credit. Herrick attended the regular meeting of the governors as the President's "special representative" and gave a speech

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<sup>40</sup>Ibid., 9-12. Herrick later published his findings as a book in which he argued the European cooperative rural credit offered the best examples of long-term, amortized loans financed through the sale of debentures. See Myron T. Herrick and R. Ingalls, Rural Credits (New York: Appleton, 1914).

<sup>41</sup>The letter to Taft is cited in Col. T. Bentley Mott, 109.

suggesting that declining farm productivity, as well as increasing food prices, were among the main reasons for taking the rural credit problem seriously. A direct transplant of European rural credit systems was deemed impossible, yet borrowing the best principles and adapting them "to American needs and business habits" was a worthy project.<sup>42</sup> When the meeting convened in the White House on the fifth day, Taft opened the event with a provocative query: "If this can be done abroad, it can be done here; and if abroad we find that government institutions adapted to form a conduit pipe between capitalists and farmers are successfully operating, why should we not adopt them here?"<sup>43</sup>

Governor Emmet O'Neal of Alabama, chair of the governors' rural credits committee, emphasized the grave conditions when farmers regularly paid usurious rates and heavy commissions. Many farmers were convinced that the present system was "economically unsound and indefensible," and to combat this injustice, they "proposed many visionary and impracticable schemes to remedy the evil." Greenbacks, subtreasury schemes, and other forms of fiat currency were characterized as the major flawed contributions by farmers to finance theory. Looking to Europe, however, was not about endorsing populist demands for cheap money. Instead, it was an alternative plan for fostering self-help through farmer

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<sup>42</sup>Myron T. Herrick, "Rural Credit," in Proceedings of the Fifth Meeting of the Governors of the States of the Union 3-7 December 1912 (Madison, WI: Cantwell, 1912), 230-244.

<sup>43</sup>William H. Taft, "Address," in Proceedings of the Fifth Meeting of the Governors of the States of the Union 3-7 December 1912 (Madison, WI: Cantwell, 1912), 271.

cooperation. O'Neal warned that before a new system of rural banks could be established, a campaign of propaganda and education was needed to make precisely this point to the farmers. A central office could be located in Washington, DC, he speculated, to acquaint the public with the best of European rural credit practices. This, after all, was work already undertaken by the SCC with "commendable zeal."<sup>44</sup>

The position endorsed by the Republican Taft, his successor Woodrow Wilson, and Wilson's Agriculture Secretary, the neoclassical economist David F. Houston, closely mirrored the argument repeatedly made by Herrick. Over several years of public debate, Herrick maintained that a privately owned, cooperative system enabled by federal legislation would effectively end agitation for government money to go directly to farmers. Wilson and Houston both endorsed this approach, warning they would stand firm and block any government money from going to farmers as a class. On May 12, 1914, President Wilson wrote to Carter Glass, chair of the House Banking Committee, that it was "unwise and unjustifiable to extend the credit of the Government to a single class in the community . . . the fact that this conviction comes to me, as it were, out of the fire, fixes it very cordially and permanently." Glass was instructed to encourage others in Congress to produce legislation

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<sup>44</sup>Emmet O'Neal, "Rural Credit," in Proceedings of the Fifth Meeting of the Governors of the States of the Union 3-7 December 1912 (Madison, WI: Cantwell, 1912), 212-30.

that would avoid subsidies, and the peril of launching the federal government into "a course of experimentation in which we should have no guidance."<sup>45</sup>

The first public comment by Secretary Houston on the subject of rural credit reform was reported by editors at The National Stockman and Farmer. Before the 1913 annual meeting of the National Grange, Houston "defined the policy of the administration when he declared that proposals to take the money of all the people and lend it to farmers or any other one class at low rates are neither wise nor just; that such plans of special legislation are of the most odious type."<sup>46</sup> In his annual report for 1914, the Secretary reiterated the Administration's position on this fundamental point:

There seems to be no emergency which requires or justifies Government assistance to farmers directly through the use of the Government's cash or the Government's credit. The American farmer is sturdy, independent, and self-reliant. He is not in the condition of serfdom or semiserfdom in which were some of the European peoples for whom government aid was extended in some form during the last century.<sup>47</sup>

A frustrated Houston subsequently sent extracts of Herrick's book to Representative Moss to counter what he perceived as misrepresentations in the press about his own public statements.

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<sup>45</sup>Arthur S. Link, ed., The Papers of Woodrow Wilson, vol. 30 (Princeton, NJ: Princeton University Press, 1979), 24.

<sup>46</sup>"Secretary Houston Speaks," The National Stockman and Farmer 37, no. 34 (22 November 1913): 1.

<sup>47</sup>David F. Houston, "Report of the Secretary," in Yearbook of the United States Department of Agriculture, 1914 (Washington, DC: Government Printing Office, 1915), 35-43.

Houston, visibly exasperated in his correspondence, argued to Moss that if people did not understand his position, they should simply read Herrick's authoritative tract.<sup>48</sup>

The American and United States Commissions Investigate  
European Rural Organization

During the years 1912-1914, David Lubin had developed his alliance with SCC President Senator Duncan Fletcher. Lubin, for one, assured Secretary Houston that his personal plan for adapting the German Landschaft system "could be put into operation without any trenching on socialism, populism or special legislation."<sup>49</sup> Fletcher, meanwhile, touted another Lubin plan, this one for the creation of "Chambers of Agriculture" that could both aid the work of the USDA and play an integral part in a new rural banking system.<sup>50</sup> Both men promoted to Congress, and the press, the idea that the privately originated American

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<sup>48</sup>David F. Houston, Washington, DC, to Ralph W. Moss, Washington, DC, 29 December 1914, transcript in National Archives, RG 16, Records of the Commissioner and Secretary of Agriculture, Box 172; David F. Houston, Washington, DC, to Ralph W. Moss, Washington, DC, 2 January 1915, transcript in National Archives, RG 16, Records of the Commissioner and Secretary of Agriculture, Box 237; Robert J. Bulkley, "The Status of Rural Credit Legislation," The Banker-Farmer 1, no. 8 (July 1914): 6-7; Myron T. Herrick, "Rural Credits Under Government Supervision," The Nation's Business 3, no. 3 (15 March 1915): 17.

<sup>49</sup>David Lubin, Rome, to David F. Houston, Washington, DC, 27 September 1913, transcript in National Archives, RG 16, Records of the Commissioner and Secretary of Agriculture, Box 173.

<sup>50</sup>Duncan U. Fletcher, Washington, DC, to David F. Houston, Washington, DC, 14 June 1913, transcript in National Archives, RG 16, Records of the Commissioner and Secretary of Agriculture, Box 172.

Commission should in fact become a publicly funded institution. They argued that the American Commission, with federal funds backing it, would be able to return from Europe, set up a permanent office, and do the necessary education and propaganda work to enable a successful reform.

To aid this project, Congress inserted a paragraph in the end of the USDA appropriation passed on March 4, 1913, authorizing the President to appoint a second commission (to be known as the United States Commission) of no more than seven persons to accompany the SCC's American Commission.<sup>51</sup> The sum of \$25,000 was appropriated for the payment of clerks, stenographers, and translators who were to record every detail of the three-month investigation. A letter from Clarence J. Owens (Managing Director of the SCC and the American Commission) to President Wilson responded to Wilson's request that the SCC Board of Directors nominate the men that the President would appoint to be the United States Commission. Six of the seven SCC recommendations were accepted, including Fletcher (again as the Chair) and SCC Managing Director Owens, with Kenyon Butterfield penciled in (presumably by Secretary Houston) over the one rejected nominee.<sup>52</sup>

At a predeparture conference, the constitution of the American Commission was drawn up, creating the Permanent American Commission (PAC), which was an official body

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<sup>51</sup>"An Act Making Appropriations for the Department of Agriculture," U.S. Statutes at Large 37 (1913): 855.

<sup>52</sup>Clarence J. Owens, Washington, DC, to Woodrow Wilson, Washington, DC, 8 March 1913, transcript in National Archives, RG 16, Records of the Commissioner and Secretary of Agriculture, Box 67.

to supervise the dissemination of the information about European systems.<sup>53</sup> According to the constitution, the objectives of the American Commission were: "To conduct a thorough investigation of the agricultural systems of rural credit," to report findings and recommendations to the state and federal governments of the affiliated countries (Canada was also represented), to conduct educative and interpretive campaigns to educate rural residents about European methods, and to gather data and documents to serve as a permanent library on the subject of rural credit and cooperative institutions. Duncan Fletcher, in fact, did not make the trip, because he was needed in the Senate, yet he remained the Chair of the American Commission, the United States Commission, and the PAC. At Lubin's urging, the traveling commissions, totaling nearly 80 members in the entourage, arrived together in Rome in time to attend the annual meeting of the IIA in May of 1913.

Speaking at the governors' meeting later that year, Fletcher reported commissioners entered their work with prior knowledge of Europe based on published accounts. The task, however, was to "correct, confirm, and re-adjust book-gained opinions and to visualize the

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<sup>53</sup>Official Directory and Constitution of the American Commission (Rome: Polyglot Typography, 1913), the Papers of Dr. Lillian Johnson, reproduced at the National Archives, RG 103, NC 28, Entry 1, Box 1. Out of the seventy-eight members listed, the following professional claims were made (some made multiple claims--e.g., farmer-merchant, or lawyer-farmer-journalist): 25 farmers, 18 bankers, 15 academics, 13 members of government, 11 merchants or manufacturers, 7 journalists, 4 lawyers, 4 capitalists, 3 Farmers' Union representatives, 2 state Grange representatives, and 2 members of the clergy. Honorary members of the Executive Board included: Secretaries Bryan and Houston, Lubin, Herrick, agrarian editor of The World's Work Walter Hines Page, the industrialist Vincent Astor, and agrarian philanthropist Julius Rosenwald.

subjects rather than to conduct an exhaustive investigation into an entirely new field."<sup>54</sup> One critic, an Assistant in Agricultural Education and Rural Economics at the USDA, in a speech at the Conference for the Common Good, August 6-7, 1913, argued that while nobody could object to the trip, it remained questionable whether anything new could be discovered.<sup>55</sup> Less friendly critics argued roving commissions would gain nothing from the experience because of the dissimilarity between the rural conditions in the United States and Europe.<sup>56</sup>

After the tour of Europe, vice-chair of the American Commission Kenyon Butterfield wrote to Secretary Houston with an extensive outline, proposing continued work for the PAC, effectively making it a national organization to foster rural cooperation.<sup>57</sup> Butterfield called for "a propagandist and organizing body" to assist in the adoption of collective methods of doing business. The exact nature of the division between public and private responsibility for this type of organization was never entirely clear, even to many of the leading figures. Making propaganda about the need for cooperation among farmers had been an established

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<sup>54</sup>Congress, Senate, Work of the American Commission Respecting Agricultural Finance, Organization, Cooperation, and the Betterment of Rural Conditions, 63d Cong., 1st sess., S. Doc. 177 (Washington, DC: Government Printing Office, 1913), 4.

<sup>55</sup>B. B. Hare, Long Time Farm Loans, 63d Cong., 2d sess., S. Doc. 421 (Washington, DC: Government Printing Office, 1914), 5.

<sup>56</sup>See, e.g., "The Financial Situation," The Commercial and Financial Chronicle 97, no. 2519 (4 October 1913): 912-13.

<sup>57</sup>Kenyon L. Butterfield, Washington, DC, to David F. Houston, Washington, DC, 5 December 1913, transcript in National Archives, RG 16, Records of the Commissioner and Secretary of Agriculture, Box 67.

goal of farm organizations such as the Grange and the NFU, and yet new institutions concerned with fostering rural cooperation were simultaneously forming on a number of fronts.

There was the new Rural Organization Service (ROS) forming within the USDA during 1913, and a Plunkett-inspired private group organized under the banner of the Agricultural Organization Committee (AOC), claiming to be an American version of the IAOC. The founding of the ROS in 1913 significantly blurred the line between public and private agricultural efforts by growing out of a "Memorandum of Understanding" between the USDA and the privately funded General Education Board (GEB).<sup>58</sup> Elite journalist Walter Hines Page influenced the creation of a publicly run and privately sponsored ROS. Page also contributed to the founding of private, Rockefeller-funded GEB policymaking institutions starting in 1902, and he served as a representative of business on the Country Life Commission. Page's dual public and private roles met with the blessing of Secretary Houston, himself a former GEB member.<sup>59</sup> The ROS was designed "to promote business organization among farmers, not only in the field of marketing, but also in that of finance, insurance,

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<sup>58</sup>Department of Agriculture, "Memorandum of Understanding," Washington, DC, to General Education Board, Washington, DC, 4 April 1913, transcript in National Archives, RG 16, Records of the Commissioner and Secretary of Agriculture, Box 67.

<sup>59</sup>Houston, Eight Years with Wilson's Cabinet, 1913-1920 (Garden City, NY: Doubleday, Page, 1926), 204-5; Gladys L. Baker and Wayne D. Rasmussen, Century of Service: The First Hundred Years of the United States Department of Agriculture (Washington, DC: Centennial Committee of the USDA, 1963), 64. See also Kendrick A. Clements, The Presidency of Woodrow Wilson (Lawrence, KS: University Press of Kansas, 1992), 54-55; and Houston, "Report of the Secretary," 25.

cooperative buying, and cooperative production."<sup>60</sup> It included a "Division of Rural Finance" under the direction of C. W. Thompson, which aimed to survey the credit needs and facilities of the nation's farmers. ROS director T. N. Carver, however, publicly stated that he thought there were "probably almost as many farmers in this country who are suffering from too much as from too little credit."<sup>61</sup>

Simultaneously, a new group known as the Agricultural Organization Committee was pledging to the Carnegie Foundation that it would "supplement" rather than "duplicate" the efforts of the ROS. The AOC, it was argued by its supporters, would contribute to rural uplift efforts by adopting the Irish model of fostering self-help in the countryside. With Gifford Pinchot serving as president, Henry Wallace as vice-president, the NFU's Charles Barrett enthusiastically participating in the founding, and Wisconsin's Charles McCarthy as Plunkett's primary American contact, the AOC was to be the American version of the Irish Agricultural Organization Society.<sup>62</sup>

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<sup>60</sup>U.S. Department of Agriculture, List of Workers in Subjects Pertaining to Agriculture and Home Economics in the U.S. Department of Agriculture and in the State Agricultural Colleges and Experiment Stations (Washington, DC: Government Printing Office, 1914), 4.

<sup>61</sup>T. N. Carver, "How to Use Farm Credit," USDA Farmers' Bulletin 593 (3 June 1914): 1. Thompson's Rural Finance Division began its work with only the 1890 census data and results from a 1912 USDA survey of nine thousand bankers, prominent farmers and merchants. See James Wilson, "Report of the Secretary," in Yearbook of the United States Department of Agriculture, 1912 (Washington, DC: Government Printing Office, 1913), 25-30.

<sup>62</sup>David F. Houston, Washington, DC, to Henry S. Pritchett, New York, 12 May 1913, transcript in National Archives, RG 16, Records of the Commissioner and Secretary of

McCarthy was a unique influence on elite agrarian sentiment during this period. As the founder and director of the Wisconsin Legislative Reference Library, McCarthy played a central role in drafting much of the progressive legislation that gave Wisconsin a well-deserved reputation as a leader in terms of developing European-style agricultural cooperation. McCarthy was also the central figure responsible not only for the founding of the AOC, but also for a series of annual conferences (held 1913-1916) sponsored by a group of cooperating farm papers (detailed in Chapter V). The annual meetings of the National Conference on Marketing and Farm Credits (NCMFC) were significant gatherings of diverse agricultural, business, transport, and finance leaders, aimed at producing consensus about the type of legislation that could lower the cost of living while increasing farm prosperity.<sup>63</sup>

Considering these diverse organizational developments in American agrarianism, efforts on the part of the American Commission to evolve into a publicly sponsored source of

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Agriculture, Box 67; Office of the President of the Carnegie Foundation, New York, to David F. Houston, Washington, DC, 9 June 1913, transcript in National Archives, RG 16, Records of the Commissioner and Secretary of Agriculture, Box 67; Gifford Pinchot, Washington, DC, to David F. Houston, Washington, DC, 14 July 1913, transcript in National Archives, RG 16, Records of the Commissioner and Secretary of Agriculture, Box 67.

<sup>63</sup>On the influence of McCarthy, consider Edward A. Fitzpatrick, McCarthy of Wisconsin (New York: Columbia University Press, 1944); James L. Guth, "The National Board of Farm Organizations: Experiment in Political Cooperation," Agricultural History 48, no. 3 (July 1974), 418-40; Sir Horace Plunkett, McCarthy of Wisconsin: The Career of an Irishman Abroad As It Appears and Appeals to an Irishman at Home (London: Spottiswoode, 1915); and Marvin A. Schaars, "Charles McCarthy: Innovator, Activist, and Humanitarian," in Great American Cooperators (Washington, DC: American Institute of Cooperation, 1967), 293-300.

information, interpretation, and demonstration, based on their findings in Europe, fit with the spirit of the period. Reports from the commission's journey through Europe were widely anticipated in the farm press, though editorial opinion was never uniformly in favor of the project. Editors at The National Stockman and Farmer questioned the necessity of the trip, noting the ambassadors had already done enough to reveal what needed to be learned from Europe.<sup>64</sup> At the The Progressive Farmer and Wallaces' Farmer, editors were repeating a warning about the commission issued by Plunkett in an Irish Homestead article. There was a danger posed by "faddists" and "one idea people," who, although it was unstated, must have been exemplified by Lubin (whom Plunkett often derided in his correspondence).<sup>65</sup> Henry Wallace refused to participate in the American Commission, even though he found it instructive to make personal visits to Plunkett and other European agricultural leaders.<sup>66</sup> America's largest circulation farm paper, Farm Journal, staked out a middle position. The Pennsylvania editors argued that "Americans doubtless have much to learn from the old world methods that have been in vogue for centuries, and yet there is always a danger that ancient ways may be too conservative for present-day needs."<sup>67</sup> Meanwhile, the commission

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<sup>64</sup>"A Good Thing," The National Stockman and Farmer 36, no. 43 (23 January 1913): 1.

<sup>65</sup>"Better Farming, Better Business, Better Living: We Need All," The Progressive Farmer 28, no. 20 (17 May 1913): 11.

<sup>66</sup>"Agricultural Credit," 3.

<sup>67</sup>"Farmers' Problems," Farm Journal 37, no. 7 (July 1913): 423.

promised great benefits, according to the American Agriculturist, since it would invariably steer public attention toward the most important pending agrarian reform.<sup>68</sup>

### Reports of the Commissions to Europe

Upon returning to the United States during the summer of 1913, the commissions employed "a small clerical force" to produce a 900-page "Information and Evidence" public document.<sup>69</sup> This was a chronological, country-by-country account of evidence gathered during the European tour. A second document presented the majority and minority reports of the American Commission, which were based on summaries of this mass of evidence. The majority report expressed great enthusiasm for the entire process of bringing agrarians into contact with the highly developed cooperative organizations and well-tilled farms of Europe. The work of assembling the commission and the journey itself was "so thoroughly advertised over this country that the already developing interest of the American people in rural cooperation in its various forms was greatly intensified." Members of the commission found "astonishing" rates of land ownership and a willingness on the part of European farmers to sink individual opinions for the sake of the collective good. "We can not borrow from European cooperative methods indiscriminately. . . . But it would also be foolish to say that, no matter

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<sup>68</sup>"Farm Finance Commission," American Agriculturist, 19 July 1913, 8.

<sup>69</sup>Congress, Senate, Agricultural Cooperation and Rural Credit in Europe, 63d Cong., 1st sess., S. Doc. 214 (Washington, DC: Government Printing Office, 1913).

how successful cooperation has been in Europe, Americans are so different that it can not be made to work here."<sup>70</sup>

The central issue in the report, and during the subsequent two-year legislative stalemate in Congress, concerned the proper role for the federal government in fostering this cooperative spirit in American agriculture. While it was conceded that the governments of Europe had done a great service to agriculture, the report suggested that, in the best circumstances, an "idea prevails that the Government shall simply help farmers to help themselves." It was thought a new system for rural credit would need to embody some mixture of government supervision and private initiative. Fostering low rates, however, was not to be considered the singular goal of credit reform. Too much government help lowering rates was deemed a dangerous instigation to land speculation. Instead, farmers should be given only the infrastructure to enable them to work together to attain lower rates. Acknowledging that nearly every European government financially assisted farmers who were trying to attain lower rates, the report nevertheless noted, "it is the opinion of the Commission

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<sup>70</sup>Congress, Senate, Agricultural Cooperation and Rural Credit in Europe, 63d Cong., 1st sess., S. Doc. 261, pt. 1 (Washington, DC: Government Printing Office, 1914), 7-9. For a good example of how commission members were expected to make propaganda with their findings, consider the speech given at the annual meeting of the Washington/Idaho division of the Farmers' Union, in which all farmers were encouraged to write to their Senators for free copies of the final report. See Ralph Metcalf, Rural Credits in Germany, 63d Cong., 2d sess., S. Doc. 571 (Washington, DC: Government Printing Office, 1914), 9. Kenyon Butterfield was proclaiming that the "journey and report of the American Commission marked the opening of a new epoch--the passing of the old individualism in agriculture to the new cooperation in farm practice, farm business, and farm life," in "The Tide of Rural Affairs," Business America 15, no. 1 (January 1914): 61.

that our American problem of rural credit should be worked out without Government aid." In language that was certain to please the New Freedom President, echoing Wilson's insistence that there be "no special privileges," the report concluded: "It is doubtful if it will help the farmers in the long run if they are given special privileges. In other words, the Government should help bring about a better system of rural credit by legislation, but not by subsidy."<sup>71</sup>

Six dissenting members of the American Commission signed a minority report that took issue with the constrained enthusiasm of the majority. This group questioned whether it was wise to encourage farmers to seek relief by emulation of European cooperative systems of credit, primarily because they were peculiar to European conditions. The vital factors for cooperation in Europe were established community life, racial homogeneity, similar ideas, habits, desires, common religion, thickly settled population, and similar modes of living. "In this country such conditions do not exist . . . conditions are radically different," because American farmers "are ambitious, individualistic, and desirous of acquiring means and property, eager to forge ahead of the position occupied by their fathers." Also, the American farmer possessed a "natural inclination to conduct his affairs in his own way and to his own personal advantage. Above all he has an inherent disinclination to shoulder the financial burdens of another." The dissenters pointed to "disastrous" failures in European cooperative

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<sup>71</sup>Congress, Senate, Agricultural Cooperation, S. Doc. 261, pt. 1, 10-14.

credit, concluding there was no reason to risk establishing new institutions, thereby avoiding "ills that we know not of."<sup>72</sup>

The last official report issued from the European junket came from the President's United States Commission. While the American Commission presented evidence on all aspects of rural cooperation, the U.S. Commission made recommendations for legislation specifically concerning agricultural credit. It noted reform should be accomplished not by directly importing foreign methods, but rather through the application of "well-established" European principles, such as the issue of debenture bonds against the collective security of many individual mortgages. On the question of state aid to the new system, the report admitted there was "room for an honest difference of opinion," while expressing faith that the value of American farm property, mobilized through an efficient and safe system, was sufficient to attract the required capital to operate the system. "The idea of Federal aid is always attractive and commands many able and earnest advocates; but self-help should be the motto of our new agriculture." The federal charter would assure the investors needed to

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<sup>72</sup>Congress, Senate, Agricultural Cooperation and Rural Credit in Europe, 63d Cong., 1st sess., S. Doc. 261, pt. 2 (Washington, DC: Government Printing Office, 1914), 7-12. Also consider the speech at the House of Governors by a prominent Colorado banker who signed the minority report, Gordon Jones, Some Methods of Financing the Farmer, 63d Cong., 1st sess., S. Doc. 212 (Washington, DC: Government Printing Office, 1913). One farm paper counseled bluntly: "Forget European methods for they will not work here." See "Obstacles to Rural Credit," Successful Farming 14, no. 9 (September 1915): 7.

purchase the bonds, but no more could be safely offered. "The farmer needs no special privilege and wants no special privilege, and none should be extended to him."<sup>73</sup>

### Conclusion

With the publication of the official report of the United States Commission, including draft legislation for a privately operated system of land mortgage credit, the work of adapting European models of rural cooperative credit shifted to the formal operations of Congress. Competing bills were prepared, extensive hearings were held, and committees entered into debate. Elite agenda-setting efforts focusing the press and policymakers on Europe during this episode left the most influential farm organizations advocating a position that was clearly off the agenda of most urban agrarians and policymakers at the outset of Congressional debate in 1914. Just prior to the release of the commissions' reports, the two largest farm organizations had come out in support of a bill sponsored by Ohio Congressman Ellsworth R. Bathrick that called for direct government loans to farmers at a rate not to exceed 4.5%. On December 16, 1913, during the first congressional hearings, the National Grange legislative committee spokesman T. C. Atkeson stated:

A good deal has been said in the last year or two about the numerous European rural-credit systems, and much publicity has been given to them which might lead one to

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<sup>73</sup>Congress, Senate, Agricultural Credit: Land-Mortgage or Long-Term Credit, " 63d Cong., 2d sess., S. Doc. 380, pts. 1 and 2 (Washington, DC: Government Printing Office, 1914), 12-31.

think the American farmers had never heard of them before. It is certain that much of this agitation is coming from people who do not represent agriculture in any sense. . . . The fact is, the farmers of this country are suspicious of any credit system that fits the conditions prevailing in European countries.<sup>74</sup>

On January 21, 1914, S. K. Hobbs, Chair of the NFU legislative committee, testified his organization had "studied the European plans and we have not seen anything yet which we believe will suit American conditions . . . we are not peasants in this country."<sup>75</sup> The NFU favored instead a plan to have farmers deal directly with the government. When the author of that plan appeared on February 10 in defense of his bill, H.R. 11897, he contradicted the prevailing opinion among elite agrarians and commission members by arguing that in Europe "the cooperative system has gone on better with Government aid." In a move that foreshadowed the ultimate resolution of the stalemate in early 1916, Bathrick declared his firm belief that "Government aid and self-help must go hand in hand; that it is useless to talk about self-help for the helpless."<sup>76</sup>

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<sup>74</sup>Congress, House, Statement of Professor T. C. Atkeson: Hearings before the Subcommittee of the Committee on Banking and Currency, 63d Cong., 2d sess. (Washington, DC: Government Printing Office, 1914), 176.

<sup>75</sup>Congress, House, Statement of Mr. S. K. Hobbs, Chairman of the Legislative Committee of the National Farmers' Union: Hearings before the Subcommittee of the Committee on Banking and Currency, 63d Cong., 2d sess. (Washington, DC: Government Printing Office, 1914), 190.

<sup>76</sup>Congress, House, Statement of Honorable Ellsworth R. Bathrick: Hearings before the Subcommittee of the Committee on Banking and Currency, 63d Cong., 2d sess. (Washington, DC: Government Printing Office, 1914), 234, 251.

Throughout most of the subsequent legislative struggle, former Ambassador Herrick, President Wilson, and Secretary Houston presented a unified front. However, long after Houston and Wilson found it politically opportunistic to reach a compromise early in the election year 1916, thereby allowing limited government financial aid on the condition of eventual repayment, Herrick made repeated public denunciations of such provisions as a betrayal of the movement.<sup>77</sup> Belligerent Herrick criticisms asserted that the executive branch had drifted into a position allowing too much government paternalism. These comments were appearing in prominent newspapers, and drew the scorn of USDA officials. A memo to Secretary Houston from the Office of Markets and Rural Organization (OMRO) remarked that it was difficult to find any sound basis for Herrick's public statements about the scope of FFLA provisions for government underwriting of the new system.<sup>78</sup>

It was in fact a great irony that Herrick's biographer failed to recognize that the culmination of the rural credit reform movement--an American adaptation of European finance models employing limited government financial aid--was considered a great failure to the

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<sup>77</sup>The decision by President Wilson to compromise is described in Link, Wilson: Confusions and Crises, 345-49. Houston recalled his flexibility in light of the partisan conviction that "the Democratic party could not win this election unless it could command the support of a large percentage of the independents." See Houston, Eight Years with Wilson's Cabinet, 211.

<sup>78</sup>Herrick's election-year objections were vociferously belittled in Department of Agriculture, Office of Markets and Rural Organization, "Memo for the Secretary," Washington, DC, to David F. Houston, Washington, DC, 1 June 1916, transcript in National Archives, RG 16, Records of the Commissioner and Secretary of Agriculture, Box 329.

banker-diplomat who for years sought reform free of any such provision. Herrick's agenda-setting efforts aimed foremost at keeping the U.S. farm credit system untainted by federal subsidy. The biographer, Col. T. Bentley Mott, argued that "no honor which ever came to [Herrick] would have made him so happy as a general recognition on the part of his countrymen that he was the first architect of the rural credit system in America."<sup>79</sup> This conclusion, however, overlooks the numerous public assertions by Herrick that the FFLA was an unconstitutional Act of Congress.<sup>80</sup> What Herrick had feared most, perhaps with some prescience, was that despite sophisticated, elite-driven attempts at looking to Europe, America's organized farmers were ultimately able to set an important precedent by having Congress mobilize the nation's funds on their behalf.

Chapter II has described an issue-specific policy network of reformers, journalists, and activist businessmen. This disparate, but clearly urban, rural credit reform network united--ultimately without farm-organization support--around the stark comparison between the affordable cooperative rural credit of Europe and the costly land credit in the United States. The influence of this urban-based policy network in the origin of the FFLA represents strong evidence in support of H1. Its agenda-setting aspirations and techniques also confirm

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<sup>79</sup>Col. T. Bentley Mott, 114.

<sup>80</sup>Myron T. Herrick, "Some Objections to the Federal Farm Loan Act," North American Review (December 1916): 837-49. Herrick was not without detractors in the banking community. See James B. Mormon, "A Criticism of Myron T. Herrick's Views on the Rural Credits Movement," Banker's Home Magazine, September 1915, 11-18.

the central premise of H2. Increasing urban interest in rural issues exemplified the shifting rural-urban relations. These changes emerge as a highly salient issue in all three press surveys.

This chapter has illustrated the extent to which this period was characterized by new institutions and organizations seeking ascendancy in terms of agrarian influence. The IIA, SCC, ROS, and AOC all viewed information dissemination as the key to securing rural and urban well-being. For each group or institution, the influence of the press as an agenda-setting vehicle in legislative matters had become readily apparent. The government-sponsored commissions detailed in this chapter were the result of business-sponsored initiatives aimed at increasing the flow of information on rural economic development. For example, a group like the SCC readily acknowledged that their policy initiatives were advanced when they could turn interesting and compelling facts into news content. This amounted to a purposeful strategy in attaining their goals, as was the creation of new press outlets to act as organs of public opinion.

Press comparisons of the European and American systems focused national attention in advance of actual legislative proposals. Much of the publicity could be characterized as strident economic propaganda that framed the debate by posing a single criterion as the standard for a viable reform. In this instance, the criterion was the exclusion of any provision for government financial aid. Indeed, the argument was that rural credit reform without government aid was possible, desirable, and necessary. The next two chapters explore business agrarianism in greater detail, illustrating how the rural credit reform movement was a

component of a larger, interconnected agrarian reform effort. Chapters III and IV examine business agenda-setting within the context of the business press, an effort that contributed to national state-building.