

# AGRICULTURAL POPULATION AND RURAL ECONOMY IN EASTERN AND SOUTHERN EUROPE<sup>1</sup>

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**A**N arc dissecting the map of Europe, with a center lying in the lower North Sea and a radius of 800 miles, would almost exactly divide the relatively prosperous, industrial economies of the North and West, and the relatively depressed and predominantly agrarian economies of the South and East. To the east of this line lies a clear-cut belt of countries between the industrial West and the rapidly industrializing Soviet Union. South of this line are Italy, Portugal, and Spain: countries intimately involved in the early period of Western European commercial expansion, but largely by-passed by the Industrial Revolution.

Almost all of the Eastern European countries are either "succession states" established by the peace treaties following the First World War, or states whose territorial extension was profoundly modified by post-war settlements. Roughly from north to south they include: Estonia, Latvia, Lithuania, Poland, Czechoslovakia, Hungary, Roumania, Yugoslavia, Bulgaria, Albania, and Greece. Although the two northern Baltic States (Estonia and Latvia) fall within the Scandinavian sphere in some respects, their inclusion in this survey is justified by their position as small succession states, faced in the interwar period with major problems of economic adjustment. Finland, the northernmost country of the north-south marginal belt, was not a succession state in the same sense, and is even more Scandinavian in economic and demographic characteristics. Considerations similar to those applying to the northern Baltic

<sup>1</sup> The materials for this paper are drawn from a forthcoming study, tentatively entitled *Marginal Economies of Europe*, prepared under the auspices of the Office of Population Research, Princeton University. The research has been carried on in cooperation with the Economic, Financial, and Transit Department of the League of Nations, and made possible by a financial grant from the Carnegie Corporation. The writer's indebtedness to these organizations implies no responsibility on the part of the latter for views here expressed.

States warrant the inclusion of Czechoslovakia, which would be split by our imaginary circle as indeed it is in economic fact.

It is not exactly accurate to imply that between the Northwest of Europe and the South and East "there is a great gulf fixed," for the gradations on numerous bases of comparison are fairly regular, and as between neighboring territories ordinarily moderate. But if the regions are considered as units, the differences are both numerous and substantial. Demographically, the former countries have low birth rates and face a period of population stability or decline. The latter peoples are still expanding rapidly, and bid fair to challenge the numerical superiority of the West. Politically, the nations of the North Atlantic seaboard, despite internal and external disturbances, have shown a measure of political stability scarcely equalled on the Southwestern peninsulas, and not even approached in the notoriously troubled Balkans. Economically, the Western industrial societies face problems of distribution for technologically developed production, whereas the Eastern and Southern agrarian societies have struggled unsuccessfully to achieve a production adequate to yield a level of living approximating that of the West.

It is in fact the generally low level of living by Western European standards that constitutes the most pervasive difficulty besetting what we may call the "marginal" economies. This low level of living has been extensively documented in a forthcoming study,<sup>2</sup> on the basis of a number of indexes. With the occasional and minor exceptions of Estonia, Latvia, and Czechoslovakia, for reasons already noted, these indexes uniformly place the Eastern and Southern countries below the European average, and *a fortiori* below the levels prevailing in the North and West. This general conclusion is amply supported by comparable studies,<sup>3</sup> and may be taken as a fundamental datum for the present analysis.

<sup>2</sup> Moore, Wilbert E. and Kozlik, Adolf: *Levels of Living in Interwar Europe, with Particular Reference to Agricultural Production*, to be published by the League of Nations.

<sup>3</sup> For example, see Clark, Colin: *THE CONDITIONS OF ECONOMIC PROGRESS*. London,

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The juxtaposition of low levels of living and a constantly expanding population to be supported with whatever resources may be available points to a greater economic problem in the future. The problem of course does not consist in these factors alone, but rather in the significance attached to them within the regions here considered. The eastward spread of Western standards and levels of aspiration has been steady, and has been given added impetus by a quarter century of growing contacts in war and peace. It is therefore no merely academic exercise in "welfare economics" to point to the relative poverty prevailing in Eastern and Southern Europe. The problem is a concrete one because it is recognized as such by a growing proportion of the inhabitants in these regions.

It is the relation between the demographic and economic circumstances in Eastern and Southern Europe which forms the central problem of this paper. More specifically, an attempt will be made to relate agricultural populations to productive resources and to estimate the extent of the redundant population under certain assumptions; to examine the institutional and economic framework of agricultural production; and to draw certain inferences for the possible future course of economic development in these regions.

*People on the Land.* The level of agricultural production and the income of the agricultural population provide at least indirect measures of general economic development in any society, and naturally a largely direct measure in a predominantly agrarian society. In view of the high proportion of the population dependent on agriculture in the Eastern and Southern European countries here under consideration (the proportion is over 40 per cent in all of these countries except Czechoslovakia) and the low per capita level of production, these areas are sometimes said to be suffering from "agricultural overpopulation." It is worthwhile to examine briefly

precisely what this may mean, and what significance it may have for future economic prospects in these areas.

The conception of overpopulation as a greater number of people than the economy can support in some absolute sense is clearly untenable. In this same absolute sense, those who are alive are clearly not part of the surplus. To discuss overpopulation at all some standards of judgment must be introduced: health and longevity, full employment, or a "minimum" level of living. In all of these cases the surplus may be viewed in relation to existing technology and social organization, or in relation to some hypothetical or ideal modification of the social system. In any event, the level assumed as a standard is as much a variable and critical factor as any other.

Perhaps the simplest procedure for estimating overpopulation is to proceed from some "reasonable density" of agricultural population in terms of agricultural land, any higher densities representing the amount of the surplus. Unfortunately, the simplicity of the measure is offset by its arbitrariness. It not only neglects completely the economic and technological level, but also faces the problem of relating population to comparable areas. Thus, an agricultural area made up almost entirely of rough pastures can support a much smaller population than one devoted to horticulture.

The latter difficulty may be partially, but not completely, overcome by converting various types of land utilization to a common basis. Such a procedure was used to translate agricultural land into "arable equivalents."<sup>4</sup> When related to the population dependent on agriculture, these converted land areas yield density figures of considerably greater comparability than would otherwise be possible. Aside from the not insignificant technical problems of determining the appropriate value ratios among the various types of land use, the procedure assumes that either the productive value of arable

<sup>4</sup> The method is based upon adaptations of conversion ratios suggested by J. Poniatowski, cited in International Institute of Agriculture, *POPULATION AND AGRICULTURE, WITH SPECIAL REFERENCE TO AGRICULTURAL OVERPOPULATION*, Technical Documentation for League of Nations, European Conference on Rural Life, 1939, Publication No. 3, (Geneva: 1939). The sources and data used will be published in Moore, *op. cit.*, Appendix I, Tables 1 and 2.

land is equivalent in all regions or that the differences can be offset by technological developments. It is clear, for example, that even climatic disadvantages and low soil fertility can be offset by improved technology, although it is equally clear that the capital and managerial ability required operate to the disadvantage of the poorer regions.<sup>5</sup>

The densities of agricultural populations, as shown in Figure 1, are chiefly significant for what they do *not* reveal about levels of living or economic opportunity. Thus, although the regions of Eastern Europe have high densities, so do the Low Countries, and considerable portions of Germany, Switzerland, and the Scandinavian Peninsula. In other words, high densities of agricultural population do not necessarily mean low product per capita. At best, comparisons are valid only within regions of similar economic structure.

In an attempt to find some meaningful numerical expression for the surplus population of the marginal economies, it is here proposed to use a variant of the method of a "reasonable" level of living. Available data on the per capita value of agricultural production<sup>6</sup> allow the selection of some per capita value as a "standard," and the computation for any area of the number of people, in view of existing production, who could be supported at that level. By this procedure, an overpopulated area is one which falls below the selected per capita standard, and the amount of the surplus is measured by the difference between the actual per capita level and the standard.

Because of the impressive differences between prosperous and poor regions of Europe, the selection of a "reasonable" standard is difficult. For example, the Danish per capita level, which is the

<sup>5</sup> This point has been made, with perhaps undue emphasis, by Huntington, Ellsworth: *Agricultural Productivity and Pressure of Population*. *Annals of the American Academy of Political and Social Science*, 198: 73-92, July, 1938.

<sup>6</sup> The basic data, together with an explanation of the methods of computation, are given in Moore and Kozlik, *op. cit.*

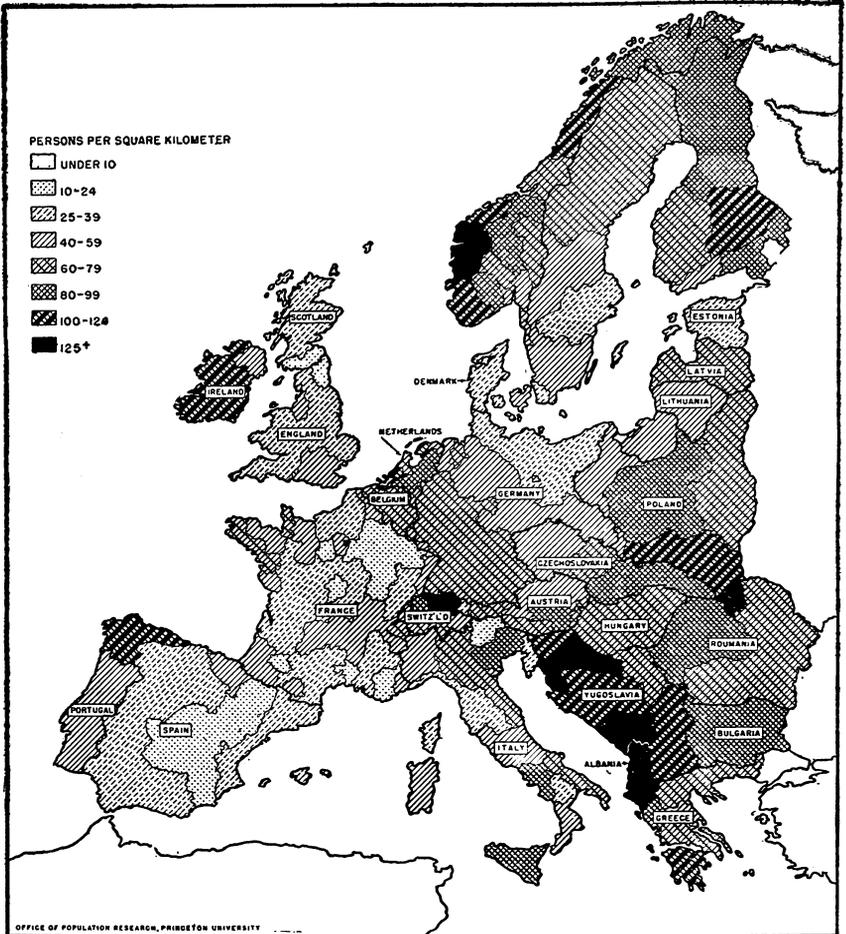


Fig. 1. Density of agricultural population per square kilometer of "arable-equivalent" agricultural land.

highest in Europe, reflects a highly specialized and intensive agrarian regime, dependent on nearby urban markets. In no meaningful sense would such a level be reasonable for Sub-Carpathian Russia or Bessarabia. It does appear, however, that the general European average is not an excessively high standard, since it is approximately that to be found in Ireland, Estonia, and Czechoslovakia.<sup>7</sup>

<sup>7</sup> Of the countries in Northern and Western Europe, only Ireland and Finland fall below the European average, whereas in Eastern and Southern Europe only Latvia and Czechoslovakia are above the average. See *ibid.*, Appendix V, Table 2.

Assuming existing production and the European average per capita distribution of product, surplus (or in some cases, deficit) populations are computed. Figure 2 shows these surpluses or deficits expressed as percentages of the actual agricultural population. The range is from a deficit of around 10 per cent in Latvia, which is confirmed by an agricultural labor shortage, to a surplus of over 77 per cent in Albania, which has the lowest per capita level of agricultural production in Europe.<sup>8</sup> Under these assumptions the Eastern region has a surplus agricultural population of 45 per cent, while the Southwestern peninsulas have a redundant farm population of 23 per cent. This means that with no increase in production a substantial proportion of the rural population would have to find other support in order for the remainder to achieve a European average level, or, approximately that of Estonia.

It may, however, be objected that it is precisely the inefficient state of agricultural technology which is the crux of the problem in the Eastern and Southern agrarian regions. From this it would follow that an improvement in agricultural production would provide the necessary means for supporting the farm population at some "reasonable" level. The possibilities of organizational and technical improvement are discussed below, but at this juncture the hypothesis noted may be tested by the expedient of noting the effect on the computed surpluses were the land utilization as efficient as in some more prosperous area.

As in the case of the selection of a "reasonable" per capita level of production, the choice of a standard of land utilization is hazardous, and of course somewhat arbitrary. The hazard is partly removed by the calculation of comparable land areas, as already noted. The problem is essentially that of selecting a standard of land utilization with some chance of being achieved if appropriate measures are taken.

<sup>8</sup> Since, by the standard selected, nearly all of the Northern and Western countries would be underpopulated, Figures 2 and 3 show the results only for those countries considered in this paper.

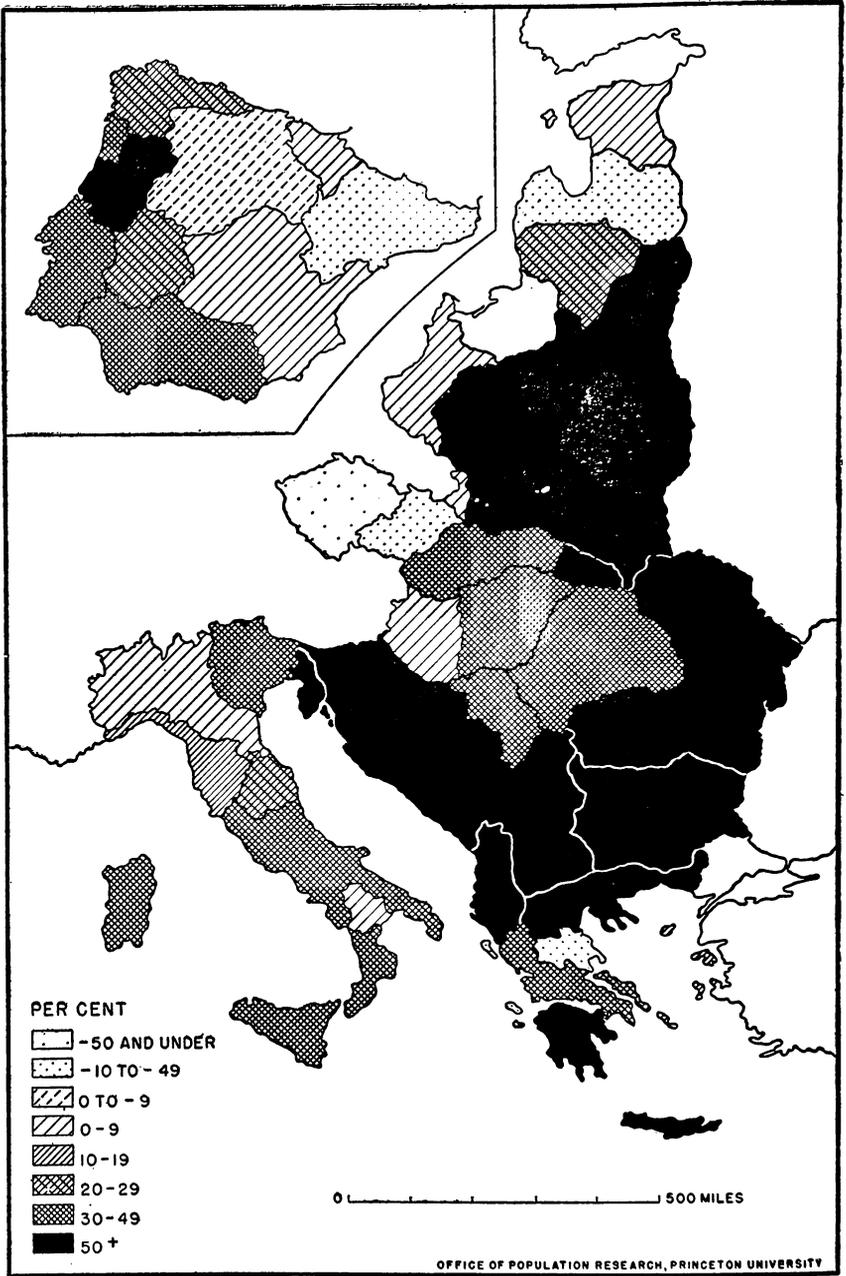


Fig. 2. Surplus agricultural populations in Eastern and Southern Europe, assuming existing production and European average per capita distribution.

The standard here selected is that of the French agricultural productivity per hectare of "arable-equivalent" agricultural land. Without arguing the case in detail the following considerations seem to support the selection: (1) France represents an extensive agricultural area, with fairly wide ranges in climate, soil composition, and the like; (2) in comparison with agricultural organization in other Western European countries, French farms are not heavily capitalized; (3) French agriculture is fairly "balanced," and does not depend on an unusually favorable external market; (4) finally, French productivity per hectare is lower than that of any Northern or Western European country except Finland, and also lower than that of Czechoslovakia and Latvia. In fact, the French productivity per area is only slightly above the European average.

Under the dual assumption of a standard product (based on agricultural land area and French productivity per hectare) and a European average level of per capita distribution, a new surplus population is computed. Naturally, the surplus is lower than in the previous computation wherever the effectiveness of land utilization is below the French standard. The percentages of deficits or surpluses remaining after this additional allowance are illustrated in Figure 3. As may be seen from that map, improved land utilization would reduce, *but would not eliminate*, the calculated surpluses. Major portions of Italy, Portugal, and Spain could support their agricultural populations at the European average, given more effective use of the soil. For Eastern Europe as a whole, "optimum" conditions as here defined would reduce the calculated surplus population from 45 to 35 per cent. Figure 3 shows more clearly than Figure 2 the regions of acute poverty on the land.

The calculated percentages of redundant population are high, but do not seem unduly so in view of the moderate standards selected. Indeed, the population data used express the situation around 1930, and production figures the 1931-1935 average. With respect to the present time, or the situation immediately preceding the Second

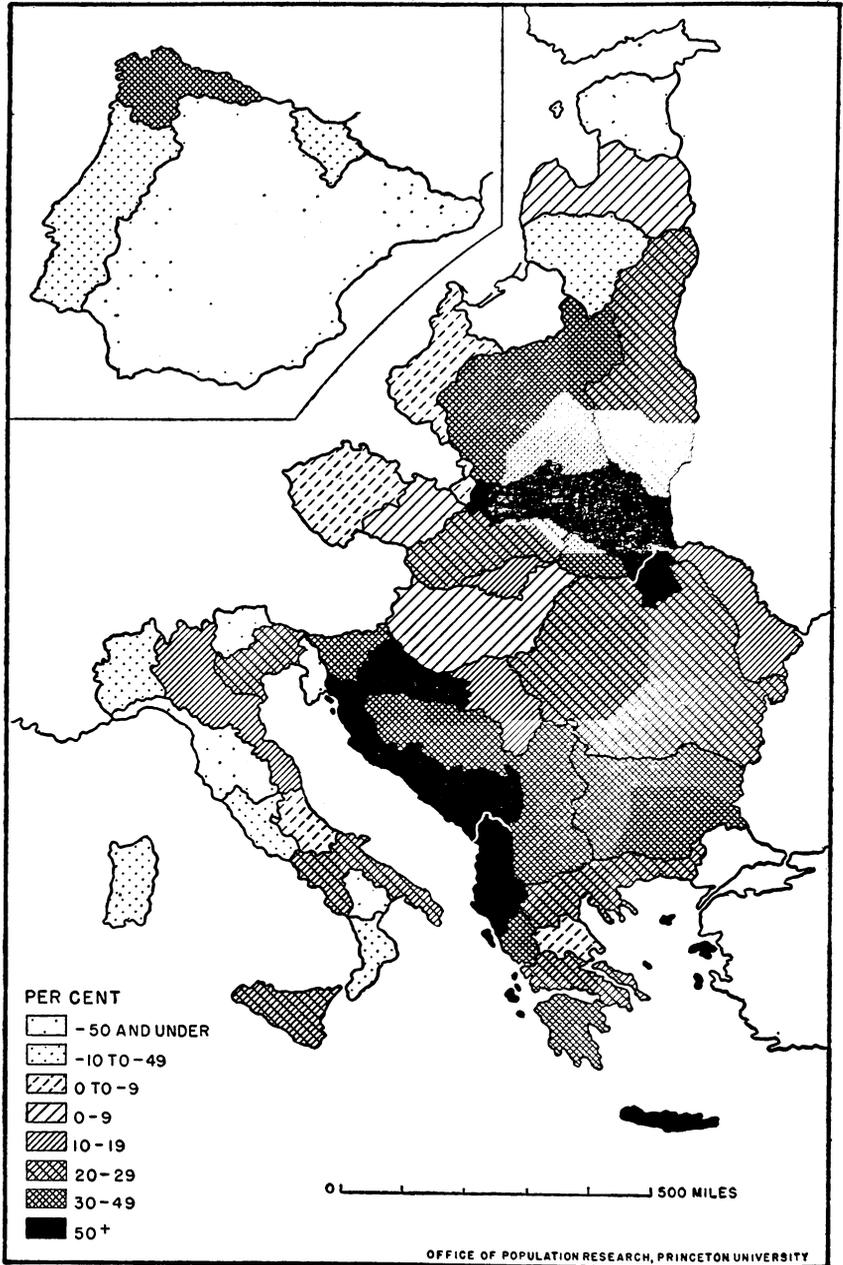


Fig. 3. Surplus agricultural populations in Eastern and Southern Europe, assuming "standard" production and European average per capita distribution.

World War, the agricultural populations are certainly larger, whereas available evidence indicates no commensurate increase in production. The transfer of workers to industry and trade has been slow, while rural birth rates have remained high. Under the assumptions noted, therefore, the estimated surpluses would appear to be unduly conservative rather than the contrary.

The problem of supporting a large population on the land is not one that will probably disappear in the immediate future through demographic changes. Eastern, and to a lesser extent Southern, Europe are in a period of population growth comparable to that in Western Europe during the last century. Assuming the continuance of past trends in birth and mortality rates based upon European experience as a whole, and disregarding losses from the present war, the eleven countries we have included as Eastern Europe would show a total increase in population by 1970 amounting to almost 15 per cent more than the population of 1940.<sup>9</sup> Under the same assumptions, the three countries of Southern Europe would show population increases of about 12 per cent over the same period.

In certain respects the problems of a growing population will be made even more acute in view of the projected changes in the *composition* of the population attendant on increasing size. Declining fertility will slow the rate of growth as compared with past decades, but growth will continue to 1970 and beyond. Moreover, declining fertility will not affect the size of the labor force at least until around 1960. The labor force of 1955 is already born. On the other hand, declining fertility coupled with an earlier decline in mortality will *increase* the proportion of the total population in working ages. Thus, while the projected increase of the total population of Eastern Europe by 1970 amounts to about 15 per cent, the number in the working ages will increase by almost 28 per cent; in Southern

<sup>9</sup> The projected populations, and subsequent references to projected population composition, are derived from Notestein, Frank W.; Taeuber, Irene B.; Kirk, Dudley; Coale, Ansley J.; and Kiser, Louise K.: *THE FUTURE POPULATION OF EUROPE AND THE SOVIET UNION: POPULATION PROJECTIONS, 1940-1970*. Geneva: League of Nations, 1944, Appendix IV.

Europe the potential labor force in 1970 will be 24 per cent larger than in 1940 while the whole population is likely to increase by about 12 per cent.

From the foregoing it is clear that the probable future trends in population size and composition in Eastern and Southern Europe signify a "favorable" ratio between active and dependent population, but an increasing strain on the economic organization not only to provide sufficient production to support an increasing population but to provide a disproportionate increase in economic opportunity in the form of employment for the labor force.<sup>20</sup>

Although the foregoing projections could not distinguish the growth patterns of agricultural and nonagricultural populations, their significance for agrarian economies is clear. Even were future increases only proportional to present ratios between rural and urban populations, the inelasticity of agricultural resources and of demand for agricultural products would impose the larger burden on land utilization. Two further considerations serve to multiply that burden. One, already noted in some detail, is that by any one of several standards the marginal economies are already faced with an agricultural overpopulation of substantial proportions. The second is that the projected declines in birth rates will undoubtedly take place mostly in urban and industrial centers, and only gradually extend to rural areas. If patterns observable elsewhere are followed, in other words, most of the projected increases in population will be contributed by the already submerged agricultural population.<sup>21</sup>

On the basis of the foregoing considerations it seems safe to assert

<sup>20</sup> See *ibid.*, especially Chap. V, "Manpower."

<sup>21</sup> War losses in the Eastern European countries and Italy, and the losses attendant upon civil war and slow reconstruction in Spain, may reduce the total number of people who must seek support in the post-war period. There is no *a priori* reason, however, for supposing a favorable effect of such losses on man-land ratios. The destruction of agricultural capital—in some cases including orchards, vineyards, and even crop lands—will probably offset any reduction in the number of cultivators. In other words, even if somewhat fewer than the projected number of people will require support, that support must be derived from substantially depleted resources. See *ibid.*, Chapter III, "The Demographic Effects of War and Their Relation to Population Projections," and pp. 167-168.

that for the present and foreseeable future the relation of population to land in Eastern and Southern Europe places great significance on the organization of agricultural production.

*Property and Labor.* The prevailing modes of land tenure and the position of agricultural laborers in Eastern Europe owe much to the agrarian reforms undertaken in the inter-war period. Some areas in Eastern Europe have experienced earlier reforms as well, while the Southern European countries have had no redistribution of land of comparable extent. Although the reforms in Eastern Europe were in many cases rather sweeping, in each of the countries the actual property and labor systems represent the coexistence of results of quite disparate historical influences. Indeed, the property systems in all of the agrarian economies are extremely complex.<sup>12</sup> However, if the agrarian reforms did not create a uniform property system, they did tend in a common direction: the spread of individual peasant proprietorship at the expense of large estates.

Were the statistical data available, it would be helpful to know the comparative situation in various Eastern and Southern European countries with respect to the distribution of *properties*, that is, whether a substantial proportion of the area of agricultural land is owned by a small number of individuals, or whether private ownership by actual cultivators is widespread. The available data allow such a comparison only for the distribution of *holdings*, that is, whether the land is predominantly farmed in small units, or whether the area under the direct supervision of the cultivator is frequently very large. The distribution of holdings is a fair indication of property distribution only where tenancy is not widely developed. The division of estates into a number of small tenancies increases the distribution of holdings without affecting the concentration of property rights.

Figures 4 and 5 show the distribution of holdings in several size

<sup>12</sup> A somewhat detailed and systematic review of property and labor systems in these areas will be presented in the previously cited *Marginal Economies of Europe*.

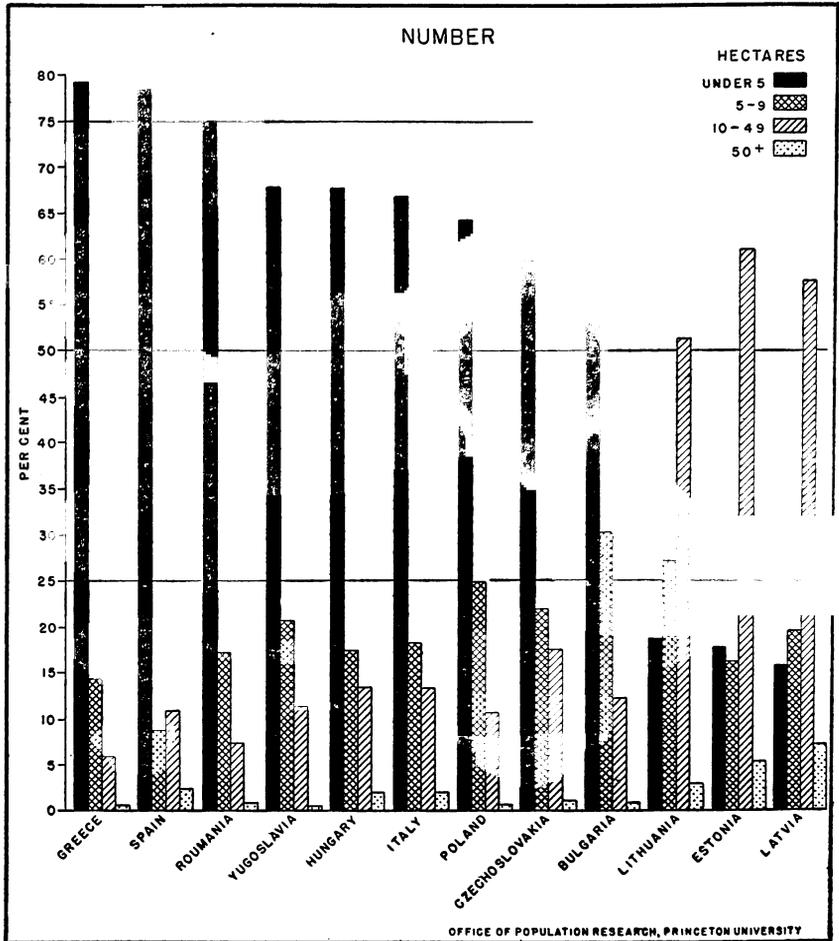


Fig. 4. Distribution of the number of agricultural holdings by size in Eastern and Southern Europe.

categories, both by number of holdings and extent of area.<sup>18</sup> The large proportion of very small undertakings (under 5 hectares) is marked in all of the countries considered except the Baltic States, where unusual attention was given in the agrarian reforms to the establishment of medium-size farms. A similar distribution in these states is evident in the comparison by area of lands in the several groups. Roumania, Greece, and Spain represent the opposite ex-

<sup>18</sup> Based upon data in *ibid.*, Table 5.

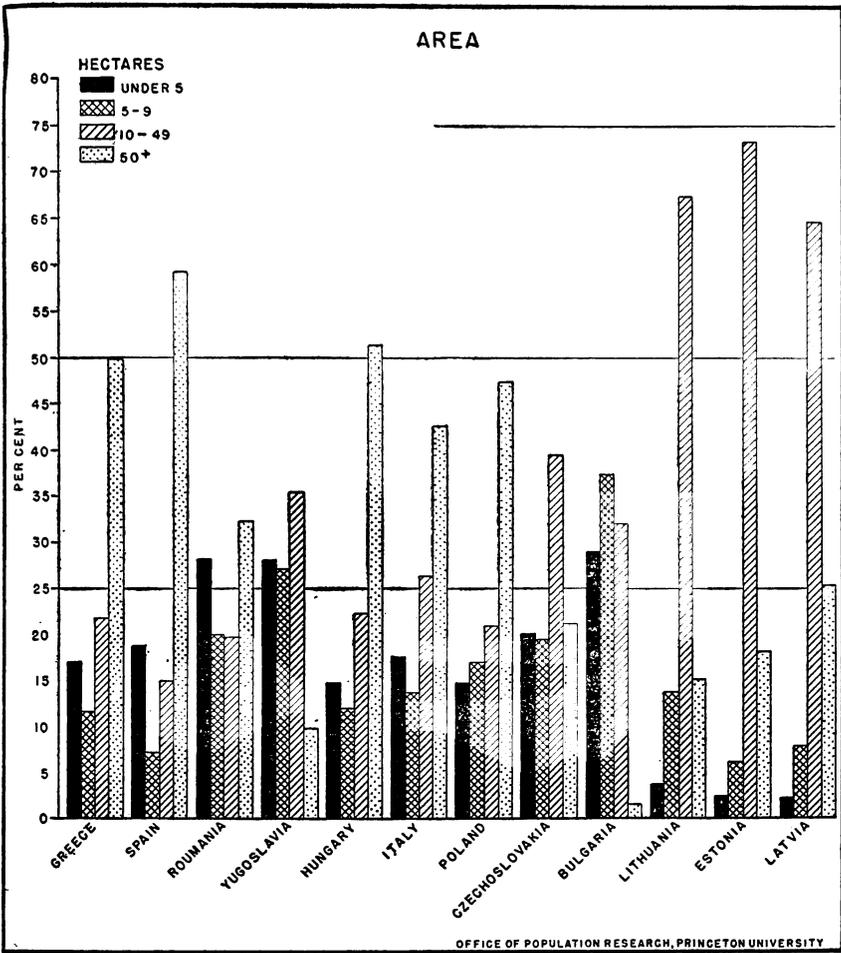


Fig. 5. Distribution of the area of agricultural holdings by size in Eastern and Southern Europe.

tremes with three-fourths and more of the holdings under 5 hectares in extent. Were genuinely agricultural holdings under one hectare included, the proportion of small holdings would be even higher in Spain and Italy would rank in the highest group. Of the countries with a high proportion of very small holdings, only Italy, Hungary, and Spain have also an appreciable number of large holdings. The data by area (Figure 5) show that in Hungary and Spain more than half of the agricultural area is held in units over 50 hectares in extent,

while Greece, Italy, and Poland have just under one-half of the farm area so held. In all of these countries except Hungary, where tenancy is rare, the concentration of land in large holdings substantially under-represents the concentration of property. A quite different situation prevails in Roumania, Bulgaria, and Yugoslavia, which are countries of small peasant holdings largely owned by the cultivator.

Certain conclusions emerge from the statistical data on holdings and from available descriptive evidence on property, tenure, and the division of labor.

(1) In most of the countries under consideration a majority of the cultivators have holdings so small as to impose stringent limitations on the amount of income for the farm family, and this situation is further accentuated by the virtual impossibility of substantial increases in self-capitalization. Since the produce from these small holdings will scarcely support the cultivator's family at the subsistence level, increased productivity through greater capitalization cannot be expected from the investment of savings. Moreover, the size of farms limits the amount of capital which could be economically employed under any conceivable circumstances.

(2) Although in a few countries the very small size of the majority of holdings is partially a function of a highly unequal distribution of land—this is notably true in Hungary, Italy, and Spain, and in some parts of Poland and Portugal—in Southeastern Europe generally it represents the results of continual division of holdings in view of a rapidly expanding population without many alternative means for support. The process of successive subdivision is generally facilitated by the rule of inheritance requiring equal division in kind among heirs, coupled with the reluctance or inability of peasants to secure even the limited number of commercial or industrial jobs. Subdivision through successive generations, coupled with an original dispersion of cultivated strips originating in the feudal agrarian organization, has resulted in "parcelization" into scattered tiny plots. Few of the agrarian reforms effected any appreciable consolidation, and indeed the reforms frequently parcelled out unified estates into scattered allotments. The principle of equality of benefits, common to the feudal agrarian organization and to most of the subsequent institutional modifications, has thus often been served at the sacrifice of rational productive organization.

(3) Wherever a preponderance of small holdings is accompanied by widespread tenancy, which is especially the case in Italy and Spain, the small returns from minute undertakings are further reduced by the rent in cash or kind payable to the landlord. Although the disadvantageous position of the peasant may be offset somewhat through partial capitalization, management, and possibly marketing by the landlord, in which case the cultivator becomes practically a worker paid in kind, this situation is rare in the countries here considered. Ordinarily therefore the tenant would benefit from a redistribution of property rights that did not at all affect distribution of holdings.

(4) The position of the landless farm worker is relatively unfavorable in all Eastern and Southern European countries, but the problem of his support is most acute not in those countries where large estates are common but rather in the countries where the family farm is the usual agricultural undertaking. In the former countries the farm worker may have little or no chance for economic advancement, and may be placed in a position of complete personal dependency on farm employers. But his security is considerably greater than that of the landless worker for whom employment opportunities are meagre without migration or attachment to some more fortunate kinsman.

(5) Finally, and following from the foregoing considerations, it is clear that the institutional organization of agriculture in Eastern and Southern Europe places a number of strong structural impediments to improved efficiency and increased production. These impediments include the small size of holdings, their frequent scattering in tiny plots abetted by subdivision through inheritance, the difficulties in self-capitalization, and, in some cases, tenancy arrangements that not only drain off part of the cultivator's returns but limit the tenant's initiative and ability to improve his methods.

These institutional considerations lead directly therefore to an examination of the economic and technological level prevailing in peasant agriculture.

*Economic and Technological Level.* Perhaps the outstanding characteristic of the economic organization of agriculture in the areas under consideration is that of relatively low capitalization. This is especially clear in the case of what can be roughly distinguished as variable costs, such as commercial fertilizers, provisions for grading and semi-processing, and the like. It is less evident in

the case of relatively fixed capital, such as land, buildings, and farm animals.<sup>14</sup> Low capitalization of the latter variety is evident in the typically small holding managed by the cultivator, and the low expenditure for irrigation, drainage, or other methods of increasing the fertility of the soil. But very small holdings may be over-capitalized *in ratio to the area of land cultivated*. This over-capitalization is especially true of buildings, equipment, and draught animals. In a sense, the peasant's fixed capital in equipment is too large because his capital in land is too small. And far from accumulating a capital reserve or increasing soil productivity through increased variable costs, the cultivator may steadily deplete soil fertility by attempting to get the highest possible yield at the lowest possible cost.

The level of agrarian technique in general tends to hasten the process of capital depletion. Tools and equipment are frequently more limited and primitive than the economic situation as such would impose. Plowing is customarily too shallow, and without regard to the possibility of erosion. Yields on cultivated lands are low, while fairly large areas of arable land are annually left in bare fallow that adds nothing to the productive value of the soil but at best simply postpones the day of exhaustion.<sup>15</sup> Even the value of manure is not universally understood, and in any event low livestock populations limit the supply.

The customary view of peasant self-sufficiency would lead one to expect a diversified type of subsistence farming. The small domestic markets in many of the states here considered, together with poor market facilities and inadequate means of storage on the farm, would seem to confirm this view. Yet one-crop commercial agriculture, chiefly in the form of extensive cultivation of grain crops, is

<sup>14</sup> See International Institute of Agriculture: *THE CAPITAL AND INCOME OF FARMS IN EUROPE AS THEY APPEAR FROM THE FARM ACCOUNTS FOR THE YEARS 1927-28 TO 1934-35*. Technical Documentation for League of Nations, European Conference on Rural Life, 1939, Publication No. 5, Geneva, 1939.

<sup>15</sup> With respect to yields, see Moore and Kozlik, *op. cit.*, Appendix V, Table 3, illustrated in Figure 10 in that study. For further discussion and data on areas in fallow, see Moore, *op. cit.*

actually the prevalent mode of farm production.<sup>36</sup> The explanation for this seemingly anomalous situation lies in the fact that most of these regions are operating in a commercial or market economy, however poor may be their organization to facilitate production and exchange. A steady rise in the demand for manufactured goods has taken place in the virtual absence of domestic industry. Thus, crops are grown which will get ready and convenient sale in domestic and international trade. Failing rapid transportation or the capital for domestic processing, the market organization is necessarily geared to the handling of cereals.

Now this general situation means that the peasant's ability to intensify production is limited by lack of capital, and that product diversification would be at the expense of what little marketable surplus he has to exchange for manufactured products. Thus, the institutional framework, the economic organization of productive enterprise and the level of agrarian technique provide a closely woven net of restrictions upon increased production in agriculture.<sup>37</sup>

Under the institutional and organizational conditions previously outlined, the dynamic situation gives little grounds for optimism with respect to the future economic position of the Eastern and

<sup>36</sup> Obviously agriculture in Eastern and Southern Europe is not exclusively devoted to cereal production. However, the low diversification is evident from the small proportion of livestock products in total agricultural production. All of the countries except Estonia, Latvia, and Czechoslovakia rank well below the European average (about 60 per cent). The range in Eastern and Southern Europe, exclusive of the countries noted, is 29-59 per cent, while the range in countries of Northern and Western Europe (exclusive of France) is 71-93 per cent. (See Moore and Kozlik, *op. cit.*, Appendix IV, Table 1.) For a general survey of the extent of diversification in Europe see International Institute of Agriculture: CONDITIONS AND IMPROVEMENT OF CROP PRODUCTION, STOCKRAISING, AND RURAL INDUSTRIES. Technical Documentation for League of Nations, European Conference on Rural Life, 1939, Publication No. 7, Geneva, 1939.

<sup>37</sup> Within the existing economic framework an increase in agricultural production would not imply a correlative increase in the peasant's income. The present low level of living in the nonindustrial states is accentuated by the price spread between the peasant's income from agricultural produce and his outlay for manufactured products. This arises both from the small domestic market for agricultural products and from the small supply of manufactured goods produced by domestic industry. Since the demand for the products of agriculture is relatively inelastic even under favorable economic conditions, increased farm production may simply further depress agricultural prices and add little to the real income of the cultivator.

Southern European peasant. The widespread prevalence of farm indebtedness indicates not only that agricultural production is poorly capitalized, but that far from accumulating capital the peasant is frequently in the position of steadily depleting his resources, and borrowing to postpone the time of complete insolvency. In fact, whether the capital depletion takes the form of soil exhaustion and obsolescence of equipment or the form of growing indebtedness, it is clear that the process is likely to be a spiral that is escaped only by means of capital originating outside of the agricultural organization.

Again, the previously noted restrictions on increased production result in the perpetuation of inefficiencies. Even if one could assume an inherent dynamic toward improved technology and increased production, which is not at all uniformly true in peasant economies, the network of institutional and organizational limitations would stringently restrict economic rationalization. This is not to say that no significant changes have taken place during the recent past, or that no changes may be predicted for the future, but only that the pace of change is slow and the results in any generation likely to be minor. The European peasant economies are partly in competition with other agrarian regions, and in any event are in a position allowing ever easier comparison with more prosperous areas. It follows that the economic disadvantages imposed by existing circumstances tend to be steadily increased rather than reduced. If a problem with respect to relative economic position now exists, its proportions are likely to grow in the absence of fairly fundamental change in economic organization.

The foregoing conclusion is given greatly added emphasis by the demographic situation as previously outlined. Nearly all of the agricultural regions here considered have a labor supply greater than can be profitably employed under existing conditions. Where the worker is landless the result is overt unemployment; where the worker has a small plot of land "hidden" unemployment is wide-

spread. The population of these areas, and especially the farm population, is increasing rapidly, so that there are steadily more people to support within a system where both labor demand and productive organization are extremely limited.

The summary, "too many people, too little land," is no piously meaningless phrase when applied to Eastern and Southern Europe so long as the level of popular aspiration is high and rising, and the means for fulfillment effectively barred. The present analysis is incomplete, but if its results are substantially correct, no purely agricultural solution would seem to offer much hope for bringing increased prosperity to these regions. Prosperous farmers in Europe are in industrial regions and sell their products in urban and industrial markets. The present study suggests that the association is something more than historical accident, and that the "marginal" economies can be markedly improved only by extensive industrialization.