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Farming Credit in Texas



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# Farming Credit in Texas.

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## BURDENSOME CREDIT CONDITIONS.

Texas debtor farmers have been paying to banks 10 to 40 per cent interest per annum, or to credit merchants 10 to 60 per cent above cash prices. This credit system, either as cause or effect, uniformly prevails with all-cotton farming, or all-wheat farming or any other form of one-crop farming. As shown in this bulletin reform may be accomplished by patient education, stimulated by constructive legislation, to the end that both debtor and creditor may understand their mutual interest in better farming and cheaper credit.

Farm ownership in Texas is not increasing in proportion to the increase of rural population. With few exceptions both farm owners and tenants express the opinion that under present conditions the average man cannot acquire a farm by his own labor. In this state of mind few men will even undertake to acquire farms. The prospects of improvement under the Federal Farm Loan Bank and through other means are discussed elsewhere in this bulletin.

The observations herein recorded were made in 1915. Therefore, they do not reflect the acute distress caused by the outbreak of the European war in 1914, nor the condition of comparative prosperity due to the war prices of 1916, but rather the conditions of average times. At any rate, the conditions and circumstances described are not new or abnormal; they are commonplace and have developed more or less cumulatively during the period of fifty years since the War Between the States; in fact they now represent more or less fixed habits of agriculture and credit. Habits, with a people as with individuals, are hard to break.

It should be added that the counties in which records were taken were chosen for convenience as types representing aver-

age conditions in several more or less distinct sections of the State. Circumstances permitted more minute observations in some counties and neighborhoods than in others. There is no intention to make invidious comparisons by exhibit or inference. There is reason to believe that complete investigation of the State would reveal substantially similar conditions in all counties of each section.

In the preparation of the bulletin it was deemed wise to present frankly the attitudes of the debtor and creditor classes in order that each may understand the viewpoint of the other. As might have been expected there is more or less prejudice, but prejudice is a factor to be reckoned with in any problem of public concern. The purpose of the bulletin is to reflect the actual credit facts without exaggeration or concealment, for only by knowing "the truth, the whole truth and nothing but the truth" can we form a just appraisal of a situation which is a menace to the material prosperity and social health of the commonwealth.

In this spirit these records and recommendations are submitted to the thoughtful consideration of all citizens who believe that the comfort, culture and contentment of producers are necessary for the maintenance of our free institutions.

CLARENCE OUSLEY.



# What Texas Farmers Pay for Credit.

By Walton Peteet.

The price paid by the average Texas farmer for credit with which to grow a crop is almost unbelievably high. It varies from 10% to more than 60% according to the standing of the debtor, the system of farming, geographical location and competition between lenders. It is highest in the small farm districts of East Texas and lowest in the cattle and wheat regions of West Texas. It varies widely, however, in each of these regions. The trucker and dairy farmer of East Texas pay less for credit than the all-cotton farmer, and the all-wheat farmer of the West pays more than the farmer-stockman of the same region. The maximum price is paid by the all-cotton tenant farmer who gives a mortgage on his livestock and growing crop for security and the minimum price is paid by the land owner who practices diversification and borrows from banks on his own unsecured note. Competition between banks and credit merchants and between cash stores and credit stores for the farmers' business is a regulating factor of prime importance.

To correctly understand what follows, an explanation of the method employed in collecting the data here presented and the bases of calculation used is necessary. The writer spent several months traveling through the counties named herein, and personally interviewed about 300 farmers, merchants and bankers. A special effort was made to ascertain the financial condition of the average farmer, and to that end the investigator stopped at farm houses at random as he traveled along the public highways. In those counties more intensively investigated, every section of the county was visited. In practically no instance was the name or condition of the farmer known in advance of a visit. No lists of leading farmers were accepted from any source. To the contrary, every effort was made to "take them as they came" in order that an average of the conditions and opinions of those interviewed might be a true average of the entire community or region. From one to three hours were given to each interview and an effort was made to obtain not only the facts regarding each farmer's business and financial condition, but his frank opinion of his own problems and his state of mind with reference to such matters as credit, tenancy, home-acquirement and the various agencies that are striving to improve rural conditions.

In those counties where a special study of the crop mortgage credit system was made, farmers were asked the prices they paid for staple articles of food and feed and these prices were compared with cash prices in the market towns. Each farmer was asked also to estimate the difference between cash and credit prices in his community. It is a striking testimonial of the accuracy of farmers' judgment that the difference between an average of such estimates and an average of actual cash and credit prices was so slight as to be negligible. Thus, an average of the estimates of 26 farmers

of Smith county was 57.1%, while actual cash and credit prices differed 55.3%, a variation between public opinion and fact of only 1.8%. In Rains county the variation was only .9 of one per cent and in Van Zandt county it was 1.1%. This demonstration of the accuracy of farmers' estimates of the cost of credit confirms the experience of investigators of the Office of Farm Management of the U. S. Department of Agriculture, who have found the variation between average estimates and actual records so small as to be negligible.

#### FARMERS' ESTIMATE OF CREDIT PRICES.

An average of the estimates of some 300 farmers, merchants and bankers in the counties of Smith, Rains, Van Zandt, Navarro, Rockwall, McLennan, Bosque, Johnson, Hill, Ellis, Wichita, Hall, Taylor, Runnels, Brown and Comanche gives 29.7% as the difference between cash and credit prices of eleven staple articles of food and feed in these counties. The minimum was 11% in Rockwall county and the maximum 57.1% in Smith county. In some of the counties named the number of farmers interviewed was not large enough to fairly apply the law of average, but in the eleven counties named below the percentages given fairly represent the opinion of farmers on the cost of store credit obtained on crop and livestock mortgages:

Smith .....	57.1%
Rains .....	24.4%
Van Zandt .....	21.6%
Navarro .....	19.9%
Rockwall .....	11 %
McLennan .....	11.2%
Bosque .....	16 %
Hill .....	21.9%
Ellis .....	26.8%
Wichita .....	27 %
Hall .....	26.6%

No claim is here made that these figures represent actual conditions in all cases, but they do truly reflect the current opinion of the farmers of those counties. Again it should be remembered that we are dealing with averages, which is the mean of maximum and minimum estimates. In the view of the writer it is almost, if not quite, as important to know what farmers believe credit costs them as it is to know what it really does cost.

No attempt has been made to express the price paid for store credit in terms of interest on the amount of credit obtained. Such a comparison, unless account is taken of many complex modifying factors, would be unfair and misleading in so far as it might be taken as representing an actual saving to the farmer who borrows money and buys at cash prices. That there is need for some such comparison is indicated by the observation of a Grand Saline banker that "a merchant can buy corn at \$1.00 a bushel and sell it at \$1.50, the 50c difference being his profit; if we (bankers) loan a man \$1.00 and charge him 50c, we are guilty of usury."

No effort was made to ascertain the exact period between the purchase of and payment for supplies bought on credit, but the writer believes a fair average would be six months. If, then, the difference between cash and credit prices be reckoned as profit and computed as interest, the average rate paid in the fifteen counties named would be 59.14%.

#### DIFFERENCE BETWEEN CASH AND CREDIT PRICES.

The counties of Smith, Van Zandt and Rains were chosen for special study for the reason that they are fairly representative of that section of the State where the crop mortgage credit system is most extensive. Comparing the prices paid by 19 typical farmers of Smith county who traded on credit with cash prices in Tyler, it was found that the average price of eleven staple articles of food and feed was 55.3% higher than cash prices. The maximum credit price of these eleven articles was 89.6% higher than the cash price, and the minimum credit price was 33.6% higher.

The following table exhibits the prices paid for the various articles by credit purchasers and the cash quotations in the Tyler market about the same date:

#### COMPARISON OF CASH AND CREDIT PRICES IN SMITH COUNTY. Credit Prices.

Record No.	FLOUR Low Grade	FLOUR High Grade	Sugar Lbs. For \$1	Bacon Per Pound	Lard Per 10-lb. Tin	Meal Per Sack	Corn Per Bushel	Corn Chops Per 100 lbs.	Maize Chops 100 lbs.	Hay Per Bale	Molasses Per Gallon
3	\$	\$2.50	10		\$						
6		3.00	12	.17	1.75	\$	\$1.50	\$2.50	\$	.50	
7	2.50		8	.20		1.25	1.50	2.60		.80	(1).70
11		2.50	12	.18		1.10	1.25	2.50			
12		2.50	12	.18		1.10	1.25				(2).80
14		2.50	11	.20	1.75	1.10	1.50	2.50		.50	(1).70
15	2.25									.65	
16		2.50	10	.25	1.95						(1).85
17	2.25		12	.18	1.90	.85	1.35			.75	(1).65
18	2.25		10	.20	1.80	1.10	1.25			.90	(1).90
19	2.50		10	.20	1.80	1.10	1.35			.90	(1).90
24							1.50				
27	2.50	3.00		.20	2.00	1.50	1.50	2.75		.65	
28	2.50		12	.20	1.50		1.35	2.60	2.50	.65	(2).75
29	2.50		10	.22	2.00	1.50		2.50			(1).75
30	2.50		12		1.75	1.00	1.25	2.25			(2).75
31	2.50		10	.20		1.00	1.35	2.50	2.25		(2).75
32		2.50	10	.20	2.00	1.25	1.35				(1)1.00
33		2.50	10	.20			1.35	2.50			
Average ....	2.44	2.60	10.7	.199	1.98	1.154	1.347	2.52	2.375	.70	(1).778 (2).80
Cash prices	1.70	1.90	14.	.145	1.00	.75	.95	1.75	1.40	.40	(1).40
Credit											(2).65
Excess %	43.5	36.8	21.	37.	98.	53.8	41.8	38.2	.75		(1)94.5 (2)29.0

(1) Corn Syrup.

(2) Ribbon Cane Syrup.

A study of this table reveals a wide variation in prices charged different individuals for the same article, due doubtless to the varying character and ability to pay of the purchaser.

The credit system flourishes only in portions of Van Zandt county. There are no credit stores in the important market towns of Wills Point and Canton, those that formerly existed there having gone out of business with the advent of bank credit to farmers, which became available soon after the State banking system was established. Many farmers in this county, however, buy on credit at other market towns in the county where there are credit stores. The average price paid by credit buyers for eleven staple articles was 22.7% higher than cash prices in Wills Point. The maximum credit price was 34% above cash prices, and the minimum was 16.3% higher. The following table exhibits the cash and credit quotations and percentages of difference:

#### COMPARISON OF CASH AND CREDIT PRICES IN VAN ZANDT COUNTY.

##### Credit Prices.

Record No.	FLOUR Low Grade	FLOUR High Grade	Sugar Lbs. For \$1	Bacon Per Pound	Lard Per Pound	Meal Per Sack	Corn Per Bushel	Corn Chops Per 100 lbs.	Matze Chops 100 lbs.	Hay Per Bale	Molasses Per Gallon
38	\$	\$2.45	19	.17	.17						(1).65
39		2.25	12	.16	.15	\$.90	\$1.00	\$1.90	\$	.40	(1).70
40		2.25	12	.16	.16	.90	1.00	1.90		.40	(1).70
41	2.25	2.50	12	.16	.15	.90	1.00	2.00		.50	(1).70
42		2.50	12	.16	.16	.90	1.10	2.00		.45	(1).65
43		2.50	12	.16	.20	1.00		2.40	2.00	.50	
53		2.50	12	.16	.17	.95	1.00	2.00	1.90	.50	(1).70
54		2.25	11	.17	.18	1.00	1.00	2.00	1.80	.45	(1).70
Av. Credit	2.25	2.40	11.5	.161	.167	.934	1.016	2.03	1.90	.457	(1).686
Cash Prices	2.00	2.10	14	.135	.125	.80	.95	1.75	1.35	.35	(1).50
Credit Excess %	12.5	14.3	21.8	19.3	33.6	16.7	6.9	16.	40.7	30.5	(1)37.2

(1) Corn Syrup.

The main market town of Rains county is Emory, the county seat. At the time this inquiry was made there was one small cash grocery store and one cash feed store in Emory, but the bulk of the grocery and feed trade was done by credit merchants. The credit stores had a cash and a credit price, the latter being 10% to 15% higher than the former. In considering the prices quoted in the following table, it should be borne in mind that the credit prices were obtained by adding 10% to the cash prices of credit stores, which latter were invariably higher than prices at strictly cash stores. The following table presents the variation of cash and credit prices in this county:

COMPARISON OF CASH AND CREDIT PRICES IN RAINS COUNTY.

Credit Prices.

Record No.	FLOUR Low Grade	FLOUR High Grade	Sugar Lbs. For \$1	Bacon Per Pound	Lard Per 10-lb. Tin	Meal Per Sack	Corn Per Bushel	Corn Chops Per 100 lbs.	Maize Chops 100 lbs.	Hay Per Bale	Molasses Per Gallon
70	\$	\$2.50	12	.17	\$2.00	.90	\$1.10	\$2.25	\$2.00	.45	(1).70
71		2.50	12	.17	1.50	.90	1.15	2.00		.45	(1).65
72	2.50	2.75	11	.18	1.95	1.10	1.20	2.10		.55	(1).75
73	2.50	2.75	11	.18	1.90	1.00	1.20	2.20		.50	(1).70
74	2.20	2.50	11	.16	1.95	.95	1.20				(1).70
75		2.75	11	.175	1.90	1.10		1.95	1.80		(1).75
77		2.50	13	.175	1.65	1.00		2.20	1.65		(1).70
78	2.30		12	.175	1.40	1.10	1.17	1.95		.55	(1).70
79		2.50	11			1.00	1.20		1.65		(2).75
80	2.30	2.50	10	.165	1.55	1.10		2.00			(1).75
81				.175				1.80			
82		2.50	11	.175	1.65	1.10	1.20	1.90		.50	(1).75
83		2.50	12	.175	1.75	1.00		2.00		.40	(1).70
85	2.20		12	.18	1.40	.95	1.17	2.20	1.65		(2).75
Average .....	2.31	2.63	11.4	.174	1.71	1.02	1.176	2.045	1.75	.486	(1).714
Cash Prices	1.85	2.00	14	.14	1.10	.85	1.00	1.85	1.35	.40	(1).55

Credit

Excess %	24.3	31.5	22.7	24.3	64.5	20	17.6	10.5	29.6	21.5	(1)29.8
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Average of credit excess on eleven articles 26.9%.

(1) Corn Syrup, (2) Ribbon Cane Syrup.

INFLUENCE OF BANK LOANS ON CREDIT PRICES

The influence of the attitude of bankers on short time loans to farmers in these three counties is reflected in the volume of store credit and the range of credit prices. Thus, in Smith county, where previous to 1916 comparatively few farmers obtained short time credit through banks, the volume of store credit was large and credit prices correspondingly high. In Rains county, the banks eagerly sought the farmers' business and although interest rates on such loans were extremely high, more than half the short time farm credit of the county was obtained from banks, and credit prices were lower than in Smith county.

In Van Zandt county, where the bankers, as a rule, loaned money to farmers more freely than in Smith county and at interest rates lower than in Rains, the volume of store credit was less and credit prices lower than in either Smith or Rains.

An extensive inquiry in the north central tier of counties revealed the fact that in most communities bank credit has almost entirely taken the place of store credit for farmers, although here and there throughout this

region an old and well established credit merchant continues to sell on "fall time" at prices ranging from 10% to 15% above cash prices.

In the central tier, embracing the counties of Ellis, Hill and McLennan, the store credit system is slightly more extensive than in the northern tier, and credit prices are somewhat higher.

In the Western and North-western regions of the State the credit systems and the crop mortgage appeared to have been introduced along with the culture of cotton and farm tenancy, but is rapidly disappearing as a result of the competition of banks and cash stores.

#### ORIGIN OF CROP MORTGAGE CREDIT SYSTEM.

The evils of the crop mortgage credit system are so obvious and well understood that they will be referred to here only as they affect the general prosperity of the State and influence the trend of change in the financial methods of Texas farmers.

Contrary to the general belief, it is the opinion of the writer that the credit system is a cause of one-crop farming rather than a result of it. That the general public, including many farmers, have regarded the credit system as the result of all-cotton, or one-crop, farming is shown by the many efforts to encourage crop diversification as a means of getting rid of the credit system. The fact that, prior to 1916, practically all credit merchants and bankers based credit exclusively on cotton, also gave support to the theory that the all-cotton system produced the credit system.

The true reason why so many farmers plant so much cotton and so little feed crops was given by a Hill county farmer. In his recital of his experiences as a farmer he said that when he began farming he owned a small farm free of debt and raised all the feed for his stock and practically all his table supplies. He continued to do so until he went into debt for the purchase of additional land. With the certainty of having to pay a large note in the fall, he felt compelled to plant a larger acreage of cotton and necessarily a smaller acreage to food and feed crops. As the years passed he planted more and more cotton and less and less food and feed crops, in the belief that only by this method could he pay his debts. After several years of hard living an inheritance enabled him to pay his debts and immediately he returned to his former custom of raising his food and feed with cotton as his surplus crop. He prospered again, but later misfortune overtook him and he found himself in debt. Again he turned to cotton and neglected his other crops. In the end he lost his farm, rented land for a time, raised cotton, bought his food and feed and was continually in debt. With money secured from other sources he finally paid his debts and bought another farm. At the time of this interview he was raising nearly all his food and feed and was beginning to prosper. His own judgment on his case is that the very means (all-cotton) he employed to pay his debts prevented him from doing so—that when he planted a large cotton crop to pay his debts he diminished his ability to pay by having to buy his food and feed supplies.

The opinion of this Hill county farmer was confirmed by many other thoughtful and observant farmers. In answer to the question "Why don't you raise all your food and feed except sugar, flour and coffee?" a Van Zandt county farmer answered: "Have to raise too much cotton to get credit," and another replied: "Am in debt and must plant cotton to pay." Instances could be multiplied to show that farmers themselves understand that the credit system is responsible for all-cotton farming, but those here given are believed to be sufficient.

The importance of this conclusion lies in its suggestion that an improved system of short time credit will quickly terminate the all-cotton system and restore the practice of raising food and feed crops at home.

Two agencies are actively attacking the store credit system. These are banks and cash stores. While interest rates on short time bank loans to farmers are excessively high, it is the general opinion of farmers that they can better afford to pay high interest rates than to continue to pay exorbitant credit prices.

#### INTEREST RATES ON FARMING LOANS.

Interest rates on bank loans for crop making purposes vary from 10% per annum to more than 60%. Minimum rates are on large loans to farmers of undoubted solvency. Maximum rates are paid by small farmers on loans of small amounts with short maturity.

The general level of interest rates corresponds with the general level of credit prices to farmers, and is highest in districts of small farms in East Texas and lowest in the North Central tier of counties, where the store credit system has almost disappeared.

There is a marked variation between the rates charged by small banks in country towns and large banks in more populous trading centers.

Much difficulty was encountered in ascertaining from farmers the rate of interest charged on crop loans. In many instances they did not know the rate. In others they confused the discount rate with the rate per annum. Thus, in a certain community where bankers frankly admitted that they added 10% of the amount borrowed to the face of the note regardless of maturity, many farmers would say they were paying "ten percent."

It is a noteworthy fact that as a general rule, in the strictly agricultural regions of the State the cost of bank loans for crop making purposes is not affected by the time for which the money is borrowed. In other words, a farmer who borrows \$100 February 1, payable October 1, pays the same gross amount of interest as his neighbor who borrows a like amount March 1 or April 1. The current practice in all but a few sections is to add from 10% to 13% to the face of all notes having a maturity of more than three months, and in some counties this percentage is added to notes of 30 to 60 days maturity. A minor variation of this custom is to deduct

10% or more of the face of the note; thus, a borrower who executes a note for \$100 will receive \$90 in cash.

Many bankers frankly admitted that they charge usurious rates of interest, but justify their action by asserting that it is economy for farmers to pay high interest rates and buy supplies for cash rather than pay prices charged at credit stores. They further justify their rates by citing the fact that the small country banks do little or no commercial business, their deposits are small, and they have no opportunities for loaning their funds between settlement time in the fall and borrowing time in the spring and summer. The cashier of a National bank of \$25,000 capital and \$27,000 surplus in a small town in East Texas thus justified his rate of 13% flat discount on farmers' notes:

"This bank charges 13% for farm loans, regardless of their maturity. A farmer who borrows \$100 January 1, gives his note for \$113 payable October 1, although we are willing for him to pay at a later date, if he wants to. The man who borrows later in the year pays the same. Small banks cannot afford to loan money to farmers at 10% per annum, and an attempt to force them to do so will drive small country banks out of business and concentrate the banking business in the large cities, where the small farmer cannot get credit. Practically all the business of this bank and of other banks in towns of this size is with farmers. There is not enough commercial business in this town to support one bank (there are now two in the town.) The usual amount loaned to farmers is so small that 10% will not pay the expense of running the bank and leave anything for the stockholders. Another reason for higher rates is that when farmers come to borrow money early in the year they ask for less than they will require. We know they will need more later on and the banks are compelled to keep that amount on hand for them when they do need it. If farmers would borrow on the first of January all the money they will need during the year, we could afford to charge a lower rate of interest. But, instead of doing this, they will borrow a part only of what they will need and the remainder must be kept on hand by the bank in readiness for them later on. That is why banks charge the same for loans made in late spring and summer as for loans made early in the year."

The cashier of a State bank of \$10,000 capital in a small inland village in East Texas, thus frankly avowed that he was charging more than the legal rate of interest:

"This bank charges 10% for farm loans regardless of maturity. I know this is a violation of law, but I am not ashamed of it. I say publicly and boldly that our interest rates are unlawful but the rates we charge are many times lower than the rates for credit charged by the merchants. If the legislature should penalize loaning at a higher rate than 10%, it would force the farmers back into the grip of credit merchants."

#### RIGHT AND WRONG USE OF CREDIT

There is a sharp difference of opinion among bankers and credit merchants on the effect of bank loans to farmers for crop making purposes. Bankers claim that farmers can save money by paying usurious rates on



loans and buying supplies at cash prices, while credit merchants affirm that bank loans have the effect of making farmers extravagant and reckless in their expenditures. Farmers, as a rule, believe they can save money by paying high interest rates and buying for cash.

It is the observation of this writer that borrowing from banks is preferable to buying on "fall time," but it is true that in many instances farmers are tempted to make unnecessary purchases when they have the ready cash to do so, and, in consequence, must either borrow more money later in the season or apply to a merchant for credit. Cases of this kind are most often found among the class of farmers who have traded on credit and have rarely had a cash balance in their favor when their crops were sold in the fall. For this reason they are not experienced in handling money and having for many years denied themselves so many things, it is but natural that when they find themselves with a substantial balance in the bank they should spend some of it unwisely.

#### FARMERS LEARN QUICKLY.

It is significant that reports of the extravagant use of bank credit by farmers are most numerous in sections where interest rates are highest and the credit system is most extensive, and least numerous in sections where farmers have long enjoyed bank credit and interest rates are lowest. This would appear to indicate that when farmers who have been accustomed to trading on credit first employ bank credit they are inclined to use it extravagantly, but after a few years they overcome this tendency. When banks began to make crop loans they inquired into the borrowers' affairs only sufficiently to satisfy themselves that the loan was a safe one. Within recent years bankers are beginning to control the expenditure of borrowed funds to the extent of limiting the amount to be spent each month. In a general way, bankers are beginning to exercise supervision of their farmer customers' operations after the manner of credit merchants, with this difference, that whereas merchants dictated even small details of farm management, bankers are dictating with respect to larger policies only.

A notable instance of the unwise use of credit by a considerable group of farmers came under the writer's observation in Rains county. When banks began to loan money to farmers in that county many farmers availed themselves of this new form of credit, but, as a rule underestimated their requirements when making arrangements with banks early in the year. The result was that many found themselves out of money in midsummer, and when they could not get another loan from the banks turned to the credit merchants and gave second mortgages on their crops and livestock for supplies to finish the year. If crops and prices were good they were able to pay both the bank and the merchant. When they could not pay both, they paid the bank in full, as it had a first mortgage, and continued to trade on credit with the promise to the merchant to pay him when they got loans from the banks early in the next year.

A credit merchant thus frankly explained the system: "Since the banks have been lending money direct to farmers we sell them on credit until the banks begin to make loans in the spring. When they can get a loan

they pay us and buy for cash until their money is gone and then we take a second mortgage and supply them for the balance of the crop year. Nearly all the mortgages taken by the merchants here are second mortgages, the banks having the first lien. When a farmer gets a loan at the bank early in the year he does not leave the money in the bank, but puts it in his pocket and walks around and acts as if he was independent. He will come in here and walk around with a lordly air of independence which I recognize at once. When asked what he wants he will say he is just 'looking around,' but does not want to buy anything just then. I will take him by the arm and tell him I have something I want to show him and will wind up by selling him \$20 or \$25 worth of things he does not need. When the time to begin work on his crop comes around he has spent all his money and comes to me for credit, and I take a second mortgage and let him have enough to get through on. If he cannot pay the bank and have enough left to pay us in the fall he will finish paying us with the proceeds of his next loan from the bank, so we get the bank's money after all. If the banks stop loaning money to farmers it will give me and other credit merchants a chance to sell to all farmers at our own prices and we can exact from them anything we want."

Another credit merchant in that town said: "Farmers in this county who borrow money from banks have not prospered as much as those who deal exclusively with the merchants. We try to look after the interests of our customers and help them through the year. The banks loan them so much money, take a first mortgage on everything they have and turn them loose and will not help them out if they get in a tight place later on. If farmers were careful and frugal and knew how to take care of money it would probably be better for them to borrow from the banks, but very few of them know how to take care of money, they fritter it away early in the year and then must come to the merchant for credit to finish the year, as the banker will rarely help them. Until this year (1915) at least 75% of mortgages taken by merchants in this county were second mortgages, banks having a first lien. This worked fairly well until last year (1914) when the farmers did not make enough to pay both the banks and the merchants. The banks, having a first mortgage, got it all and the merchants got nothing. The banks insisted on farmers selling their cotton when the price was low, while merchants advised them to hold it. I have stood by and looked on while the banks compelled farmers to sell their cotton on which I held a second mortgage at 6c and 6 1-2c. This low price would yield enough to pay the bank and I would get nothing; whereas, if the farmer had been permitted to hold his cotton, he would have got a price that would have enabled him to pay me something after paying his debt to the bank."

One result of the conditions described by this merchant was the filing of many suits against banks in that town for penalties under the usury statute, a full report of which appears elsewhere in this bulletin.

While the conditions just described were not found to exist in the same

degree in any other county, yet wherever banks loan money to farmers credit merchants either contend that it is injurious to farmers or go out of business.

A member of one of the largest credit houses in Smith County said farmers who bought supplies on credit prospered more than those who borrowed from banks and bought for cash, because the credit merchants supervised the operations of their customers more closely than the banks did and checked their tendency to buy recklessly and extravagantly. He added that many farmers prefer to buy on credit, rather than take care of what they make.

A credit merchant in Van Zandt county said: "In the past any farmer, no matter how poor or worthless, could get credit to grow a crop. The increase in the number of banks brought competition in lending money. The banks preferred to loan \$100 to each of ten farmers to loaning \$1,000 to one merchant. For several years banks in this county have been making loans to farmers at from 10% to 15% discount regardless of maturity. This practice resulted in extravagance and over-buying by farmers. They would borrow from different banks and spend the money before time for selling crops and would come to the merchants for credit. It is better for the farmer to get his credit from merchants, because the latter compel economy, and, having no cash on hand, the farmer cannot buy whenever he sees something he fancies."

Not all merchants entertain the views expressed above, as witness this statement by a credit merchant in Ellis County: "The banks are gradually putting credit merchants out of business and I am going on a cash basis this fall. The coming of so many cash stores is making it unpleasant for credit merchants who must have a cash and a credit price. We tried to meet the situation by having one price and adding 10% for fall credit, and we still say we do this, but we do not. We cannot sell on credit for cash prices plus 10%—we must have more. Jobbers are urging merchants to quit selling on fall time and are refusing credit to some who continue to do so. I believe it is better for a farmer to borrow from banks and buy for cash."

A representative of another credit merchant in Ellis County said: "Credit business of merchants is declining as bank loans to farmers increase. Credit prices are from 10% to 15% higher than cash prices and to this is added 10% when payment is made in the fall."

The president of a large bank in Waxahachie said: "Bank loans to farmers are increasing and store credit is passing in this county. Bank loans and cash stores are putting credit merchants out of business. Bank rates at 10% per annum, with a minimum charge of 25c for short time loans. Our farmers will not stand for higher rates."

The cashier of a bank in a small town in Tarrant county said: "Bank loans are rapidly taking the place of store credit in this county. Interest rate on crop loans is 10% per annum, which is as much as farmers will pay and is profitable to the bank."

The cashier of a bank in Hardeman county reports the result of bank

and mercantile competition there: "Some store credit here but it is rapidly disappearing. A very large credit house here went out of business last year and no other has taken its place."

The cashier of a National Bank in Wichita Falls reports: "Practically no store credit in this county now. Cash stores and banks have put an end to old-time credit system."

A Hall county credit merchant, after nearly 20 years of credit business, announced his intention of going out of business. He said: "The loaning of money to farmers by banks and the opening of cash stores are forcing credit merchants to go on a cash basis. When a farmer who buys on credit has cash to spend, he spends it at a cash store. Store credit costs farmers not less than 25% and sometimes more. Banks charge 10% to 15% discount for loans regardless of the time the money is used, farmers apparently not realizing that the rate is really 20% to 40% per annum."

The conditions and tendencies reported in the foregoing statements exist in greater or less degree in all sections of the State, credit prices being lowest where interest rates are lowest and bank loans are available to farmers. For further citations in support of this conclusion, reference is made to the section of this bulletin devoted to interviews with farmers, merchants and bankers.

#### TENDENCY TOWARD RESTRICTION OF CREDIT.

There is a marked tendency throughout the State toward a restriction of credit by both merchants and banks. Immediately following the beginning of the European war there was a complete denial of credit to farmers in some sections, and many farmers and their families endured very great hardships. With the return of normal business conditions there was a resumption of credit, but on a restricted scale.

Many bankers are adopting the practice of merchants in giving careful attention to the uses made of credit and some are requiring an agreement from borrowers to spend each month a certain amount of the sum loaned.

There is also a widespread tendency to deny credit to a large class of farmers who have been unsuccessful and have only a limited amount of livestock and farm implements. One result of this restricting of credit has been to compel many farmers to become wage laborers.

It is the almost unanimous judgement of both bankers and merchants that in the past it has been too easy for farmers to get credit to make crops and there is a general disposition to require something more than a team of horses and a promise to make a crop as security for credit. Farmers themselves have observed this tendency and many of them reported cases where neighbors had been compelled to abandon farming on shares and accept work as farm laborers or move to town.

A Rockwall county banker said: "Both banks and merchants are exercising more care in extending credit and it is becoming more difficult for irresponsible farmers to get credit to make crops."

A Van Zandt county merchant reported: "In the past any farmer, no matter how poor or worthless, could get credit on which to make a crop. This year both banks and merchants are requiring security in all cases.

Many farmers have not been able to get credit and have been compelled to work as wage hands."

Another banker in Van Zandt county extended many farm loans in 1914 but refused to make further advances to these debtors, with the result that having no unmortgaged property to offer to other banks or to credit merchants they were not able to operate farms in 1915.

In former years it was the custom for landowners to buy on open account and only renters were required to give crop mortgages. This custom is changing in some sections of the State and owners as well as renters must now give mortgage security.

Landowners are beginning to discriminate against old and unsuccessful farmers in renting land. One large landowner (No. 50) said: "I will not rent land to a man over 40 years old, because if he has reached that age without getting ahead he has missed the ball too often for me to send him to bat."

#### CASH PRICES AT CREDIT STORES.

In comparing cash and credit prices it should be borne in mind that, as a general rule, cash prices at credit stores are higher than at strictly cash stores. In former years merchants openly announced two prices—one for cash and the other for credit, the difference between them being arbitrary and variable. The advent of cash stores and bank credit made two prices undesirable and embarrassing and many credit merchants adopted the plan of adding a variable percentage to their cash prices when the account was to be paid in the fall. A credit merchant in Ellis county (No. 166) said: "We tried to meet the situation by having one price and adding 10% for fall credit, and we still say that we do this, but we do not do so—we cannot sell at cash prices plus 10%—we must have more."

Another credit merchant (No. 207) whose credit price is supposed to be his cash price plus 10%, said: "Store credit costs farmers not less than 25% and sometimes more."

A credit merchant in East Texas (No. 48) estimates that "on an average credit prices are 33 1-3 per cent higher than cash prices."

A comparison of cash prices charged by credit merchants and cash prices of cash merchants made in one East Texas county shows that the former is 9.7 per cent higher than the latter.

#### CREDIT SYSTEM AND COUNTRY STORES.

It is interesting to note that in a few communities from which mercantile credit has disappeared country stores have reappeared and are prospering (No. 44.) The reason of this is obvious. When many of the farmers in a rural community are under a crop mortgage to a credit merchant in a large trading center they cannot patronize neighborhood cash stores and the latter cannot exist in such communities. On the other hand, when most of the farmers are cash buyers they will find it convenient to do some business with small country stores, even though they do most of their trading in market towns. It will be interesting to observe the future of the

country store in Texas and note whether its reestablishment in a few communities from which the credit system has disappeared is a local or a general phenomenon.

#### SCALPING CREDIT ACCOUNTS.

An evil of the credit system which has been the cause of much ill feeling in some sections of the state is the custom of some merchants paying a commission to landlords on sales of supplies to their tenants, the amount of the commission being, of course, added to the tenant's account. In some cases merchants give their customers orders on business men for the purchase of things not handled by the merchant, such as drugs, and exact a commission for such business (No. 21.) This custom arises out of the circumstance that credit buyers usually give merchants a first mortgage on their stock and crops and are, therefore, not able to give security for purchases made elsewhere. This situation is met by having the merchant make purchases and add them to his bill, thus bringing them under the protection of his mortgage lien.

In some instances the landowner receives a commission from merchants on sales to his tenants, although it is gratifying to believe that the practice is not general over the state.

#### FARM AND LABOR INCOME OF FARMERS.

A special study was made of the financial operations of 32 farmers in Smith, Van Zandt and Rains counties. The forms used for this purpose were similar to the forms devised by the Office of Farm Management of the United States Department of Agriculture for ascertaining the farm income and labor income of farmers. In addition, other data on the subject of credit, land buying, gardening, home canning, etc., were collected.

By "farm income" is meant the difference between total receipts from all sources and total expenses for all purposes. "Labor income" is "farm income" less 8% interest upon the capital invested in farming.

The estimated value of labor contributed by members of the family was included in the list of expenses, but no charge was made for the labor of the operator.

Complete records were obtained from 18 farm owners, 9 share-renters, 3 cash renters and two half-renters. The counties named constitute a region of small farms and it is the belief of the writer that the ratio 18-9-3-2 is about the ratio in which the four types of farming exist there.

In considering the figures that follow it should be borne in mind that this data was collected in the spring and early summer of 1915 and covers the crop year 1914, which was probably the most disastrous ever known in Texas. An almost total failure of corn and other grain and forage crops in 1913 compelled farmers to grow the 1914 crop on high-priced feed. The condition following the outbreak of the European war lowered the price of cotton below the cost of production. These two circumstances made the year 1914 one of the most unprofitable in the history of Texas agriculture and explains in part the fact that 19 of the 32 farmers investi-

gated lost money on the year's operations, and that only 5 of the 32 realized a profit on the year's labor after deducting 8% interest on the capital invested.

The following table shows the average farm and labor income of 32 farmers in the three counties named, arranged by classes:

**AVERAGE FARM AND LABOR INCOME OF 32 TEXAS FARMERS IN SMITH, RAINS AND VAN ZANDT COUNTIES FOR THE YEAR 1914, ARRANGED BY CLASSES:**

	No. Reporting		FARM INCOME						LABOR INCOME					
			PLUS		MINUS		AVERAGE FOR GROUP		PLUS		MINUS		AVERAGE FOR GROUP	
			No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Half Tenants.....	2	1	\$184	1	\$279	2	-\$47	1	\$182	1	\$303	2	-\$60	
Share Tenants.....	9	3	156	6	443	9	-243	3	88	6	575	9	-357	
Cash Tenants.....	3	2	149	1	487	3	-63	1	160	2	287	3	-138	
Owners.....	18	8	229	10	262	18	-44	1	387	17	425	18	-423	
All Tenants.....	14	6	159	8	256	14	-158	5	129	9	454	14	-242	
All Farmers.....	32	14	202	18	259	32	-87	6	181	26	465	32	-354	

It will be noted that while 14 of the 32 farmers had an average farm income of \$202, and 18 had a minus farm income of \$259, the average for the entire group was \$87.

While the average farm income of owners is larger than the average of tenants' incomes, the labor income of owners is less for the reason that the capital investment of owners is much larger.

The average receipts and expenditures and the average value of live-stock of these several classes of farmers are shown in the following table:

	Total Receipts	Total Expenses	Live Stock
Half tenants .....	\$307	\$354	\$000
Share tenants .....	528	771	706
Cash tenants .....	405	468	391
Owners .....	550	594	611
All tenants .....	454	612	492
All Farmers .....	514	601	566

It will be noted that while the average receipts of tenants were \$96 less than the average receipts of owners, the average expenses of tenants were \$18 more than the average expense of owners. This difference in expense accounts of these two classes is partially explained by the following table, which shows the average amount of hired labor and family labor employed by the several classes:

	Average Hired Labor	Average Family Labor*
Half tenants .....	4.50	175.00
Share tenants .....	53.00	162.00
Cash tenants .....	12.00	61.00
Owners .....	42.00	113.00
All tenants .....	33.00	136.00
All farmers .....	38.00	122.00

\*Does not include labor of head of the family.

Half-renters have the smallest hired labor expense, but the highest family labor expense, which supports the general belief that farmers with large families are preferred as half renters. Cash tenants had the smallest family labor account. Owners spent more for hired labor than tenants, but received less help from their families.

In this connection it becomes interesting to know the ages of members of the different classes of farmers, the number in their families and the number who assist in farm work. This data is shown in the following table, the figures being averages for the several classes:

	Average Age	No. in Family	Under 16 Years	No. who Work on Farm
Half tenants .....	57.5	6.5	5.	5.5
Share tenants .....	46.	5.1	1.5	3.8
Cash tenants .....	36.6	4.3	2.3	1.6
Owners .....	49.	5.4	2.1	2.8
All tenants .....	45.5	5.2	2.3	3.5
All farmers .....	47.6	5.3	2.2	3.1

The age of half tenants and the size of their families indicate that this class is composed largely of farmers too old to do much active farm work themselves, but who have large families and are therefore desired by land-owners who prefer the half-renter system of operating their farms. The small number of half-renters included in this summary gave no opportunity to apply the law of average to the young men who begin their farm careers as half renters.

The figures given in the foregoing table indicate that farm owners have slightly larger families than renters, but that their families do less farm work than the families of renters, which fact suggests the play of economic pressure as a factor in determining the birthrate in the two groups.

The cash tenant, who is usually more independent financially than other renters, is also younger than other renters, the average age of those included in the summary being 36.6 years, compared with 46 years for share-tenants and 49 years for owners. The family of the share tenant is smaller than the families of any of the groups studied, and fewer members of his family do farm work. This fact is explained, in part, by the showing that cash tenants, being more independent, plant less cotton than other renters.



### CROP ACREAGE.

The acreage planted to corn, cotton, oats and other crops by the several classes is shown in the following table:

	Ave. No. Acres in Crops	Ave.No. Acres Cotton	Ave. No. Acres Corn	Ave. No. Acres Oats	Ave.No. Acres Other Crops
Half tenants .....	42.5	37.0	4.5	...	1.0
Share tenants .....	65.0	40.0	18.0	3.3	3.7
Cash tenants .....	36.0	19.0	13.0	1.5	2.5
Owners .....	40.5	15.6	17.0	1.4	6.5
All tenants .....	53.1	34.2	14.1	2.2	2.6
All farmers .....	45.4	23.0	15.0	1.6	5.8

  

	Percentage of Crop Acreage in Cotton	Percentage of Crop Acreage in Corn	Percentage of Crop Acreage in Oats	Percentage of Crop Acreage in Other Crops
Half tenants .....	87.0	10.6	..	2.4
Share tenants .....	61.5	27.7	5.1	5.8
Cash tenants .....	52.8	36.1	4.1	7.0
Owners .....	38.5	42.0	3.4	16.1
All tenants .....	64.4	26.3	4.1	5.2
All farmers .....	50.6	33.0	3.5	12.9

The foregoing figures support the opinion heretofore expressed that half renters are chosen because of their willingness and ability to raise cotton, 87% of the acreage farmed by them being devoted to that crop. The remaining 4.5% was planted to corn. The half-tenant is, in fact, merely a farm laborer who works for a conditional wage, to wit: one half the crop raised by him. The landlord furnishes the land, seed, stock and implements and exercises authority in the selection of crops and methods of management and cultivation.

According to the individual case, the status of a half-renter is a stepping-stone to a higher economic status for the energetic and ambitious young farmer without capital or a brief resting place in the descent from independence to dependence of the farmer who has failed and who ultimately becomes a wage laborer.

Next to the half-tenant the share-tenant is most enslaved by cotton, that crop averaging 61.5% of the total crop acreage. The cash tenant, being slightly more independent than the share-tenant, planted only 52.8% of his crop acreage in cotton, while owners averaged only 38.5% in cotton. All tenants averaged 64.4% in cotton and all farmers (owners and tenants) averaged 50.6%.

The figures presented above reveal a direct relationship between cotton acreage and diversification. The larger the acreage of cotton, the less acreage in such crops as peas, peanuts, sorghum, clover, vegetables, etc.

The half-tenant who planted 87% of his farm in cotton planted only 2.4% in miscellaneous crops, while the landowner who planted only 38.5% of his crop acreage in cotton, planted 16.1% of it in miscellaneous crops.

The influence of tenancy as an obstacle to diversified farming is also exhibited in the foregoing table, which shows that all tenants planted 64.4% in cotton and 5.2% in miscellaneous crops, while owners planted only 38.5% in cotton and 16.1% in miscellaneous crops.

#### INFLUENCE OF LANDLORDS ON COTTON ACREAGE OF TENANTS.

More than one hundred tenant farmers were asked the question: "Does your landlord require you to plant more cotton than you want to plant?" Sixty per cent gave an affirmative answer and forty per cent replied in the negative. These answers and general observations made in the course of interviews with both landlords and tenants throughout the cotton growing districts of the state lead the writer to the conclusion that while owners as a rule stipulate a larger acreage in cotton for their tenants than the latter would plant if they were owners, the tenants do not object very seriously to the requirement. Both owners and tenants have been under the spell of the all-cotton system and have regarded cotton as the only money crop. In East Texas where fruit and truck crops are extensively grown and where they are becoming money crops, landowners are less insistent on a large cotton acreage than they are in the blackland district of central and north Texas, where substitutes for cotton as a money crop have not been so extensively introduced. This conclusion leads the writer to believe that when it can be demonstrated that other crops can be successfully substituted for cotton as a money crop opposition of landowners will not be difficult to overcome. This belief is strengthened by the readiness with which landlords in that section assented to the proposal that their tenants should raise food and feed crops in the trying times following the outbreak of the European war.

It is obvious, however, that some changes must be made in the customary system of land rental before diversified farming can be generally introduced in this rich section of Texas. A large number of land owners live in cities and towns and do not care to rent land for grain and forage crops on shares for the reason that they have no stock to consume their share of such crops, and as yet there is no stable cash market for them. In this section the practice of charging cash rent for land planted in grain and crops other than cotton is steadily increasing, but tenants, as a general rule, are not willing to take the entire risk of a crop failure, which accounts in a measure for the small acreage of grain and other diversified crops on rented farms.

#### TENANCY AND LIVESTOCK PRODUCTION.

The effect of tenancy on livestock production is strikingly shown in the following tabulation, which exhibits the number and value of the different kinds of livestock on the farms surveyed in Smith, Rains and Van Zandt counties, the figures given being averages for the classes named:

AVERAGE NUMBER AND VALUE OF LIVESTOCK ON 32 FARMS IN  
SMITH, VAN ZANDT AND RAINS COUNTIES,  
ARRANGED BY CLASSES:

	No. Cows	Value	No. Heifers	Value	No. Calves	Value	No. Horses	Value	No. Mules	Value	No. Colts	Value	No. Brood Sows	Value	No. Other Hogs	Value
Share Tenants	2.4	\$39	.86	\$22.10	.7	\$9.00	1.4	\$60	1.0	\$154	0	\$0	.86	\$16.00	2.	\$6.64
Cash Tenants	1.6	56	.33	20.00	.0	.00	1.3	102	.66	130	.66	62	.66	15.00	.66	5.00
Owners	3.0	38	1.5	19.00	1.0	11.00	2.3	105	1.7	99	1	42	.9	15.00	4.1	6.11
All Tenants	2.2	43	.7	21.00	.5	9.00	1.4	72	.9	148	.2	62	.8	15.50	1.6	6.44
All Owners	2.7	40	1.26	19.50	.87	10.66	2.0	96	1.5	108	.13	52	.87	15.48	3.3	6.16

	No. Pigs	Value	No Laying Hens	Value	No. Turkeys	Value	No. Ducks	Value	Total Value Livestock
Share Tenants	0.	\$0.00	40	.30	1.1	\$.75	.0	\$.0	\$391
Cash Tenants	0.	0.00	38	.35	.0	.0	.0	.0	391
Owners	2.	2.70	39	.33	.76	.94	.8	.30	593
All Tenants	0.	.00	39	.32	.8	.75	.0	.0	391
All Farmers	1.3	2.70	39	.321	.77	.87	.25	.30	527

It will be noted that the value of livestock on farms operated by owners is more than 50% greater than on farms operated by tenants, the value for share-tenants and cash tenants being the same. Reduced to an acreage basis the comparison becomes even more striking:

Value of Livestock Per Acre of Crops	
Share tenants	\$ 6.01
Cash tenants	10.86
Owners	14.64
All tenants	7.36
All farmers	11.60

**TENANCY AND FARM MACHINERY.**

The influence of tenancy on the efficiency of farm practice is further shown by the value of machinery on owned and rented farms. The following table shows the total value of farm implements and machinery on the several classes of farms surveyed:

	Total Value of Implements and Machinery	Value of Imple- ments and Ma- chinery Per Acre of Crops
Share tenants .....	\$ 95.00	\$1.46
Cash tenants .....	102.00	2.55
Owners .....	192.00	4.74
All tenants .....	98.00	1.85
All farmers .....	163.00	3.59

## FACTS AND OPINIONS CONCERNING RURAL CONDITIONS IN TEXAS.

While collecting the data presented in the foregoing pages the author asked each farmer interviewed a list of questions designed to develop his opinions and conclusions regarding a number of subjects related to farm practice and rural conditions. In addition the life history of typical individuals who have changed their status from tenants to home owners and vice versa was recorded in narrative form with the view of disclosing if possible the extent to which such changes are the result of general or individual causes. The inquiry was extended to bankers and credit merchants and opinions and observations are given below.

If, in the course of the interview, any statement was made which revealed unusual conditions or indicated the farmer's mental attitude towards rural problems a record was made of it.

Below is presented a number of typical answers and interviews. The list of formal questions follow, the answers being indicated by a corresponding number:

1. Could you rent this farm on shares and earn enough to buy it at the present price?
2. Does your landlord require more cotton than you want?
3. Does landlord furnish pasture for cattle?
4. Does landlord furnish pasture for hogs?
5. Why don't you raise all your food except flour, sugar and coffee?
6. If landlord objects to raising food crops, his reasons?
7. Rate of interest on crop loans?
8. Difference between cash and credit prices?
9. What do you consider a fair rental contract?
10. Do you wish to remain on a farm?
11. Would you go to city if offered a job?
12. Do you expect to buy a farm?
13. What size farm do you want?
14. Have you a definite plan for buying a farm?
15. Greatest difficulty to be overcome before buying a farm?
16. Cause of increase of tenancy?
17. What should be done to encourage home buying?
18. Is co-operation feasible in your neighborhood?
19. Kind of co-operation suggested?

20. Are large tracts of land in your community being subdivided?
21. Does land produce as much as formerly, and why?
22. Has cost of cultivation increased, and why?

#### NAVARRO COUNTY.

No. 1. Age 55 married; has wife and six children; all work in field; 1. No. 2. Yes. 3. No. 4. No. 5. Landlord objects. 6. Land so high cannot afford any crop but cotton. 8. About same. 9. Third and fourth of crop with privilege to diversify. 10. Yes. 11. No. 12. Yes. 13. 50 acres. 14. No. 15. High price of land and high interest rates. 16. High price of land and oppression of land owners. 17. Loan money on long time at low rate of interest. 18. Yes. 19. (See note). 20. None to be divided. 21. No; planted too long to cotton. 22. Yes; more grass.

**Note:** This man is pure American stock; fairly intelligent; eager to prosper; feels his present condition keenly; wife faded and poorly clad; children do not attend school because father is not able to clothe them properly and buy books, also because their labor is needed on the farm; is in rather desperate frame of mind and thinks renters should organize and demand share rent and right to diversify crops; lost his team two years ago; last year went broke farming on halves and next year will work for wages; wants to move to South or East Texas in hope of getting fresh start and buying a farm.

No. 2. Age 55; married; seven in family; rents on shares.

1. No. 2. Yes. 3. No. 4. No. 5. Have to pay money rent for land for that purpose and afraid to take chances. 6. Land too high. 7. 10% flat discount. 8. 10%. 9. Third and fourth of crop. 10. Yes. 11. No. 12. Yes. 13. 100 acres. 14. Rent in cheap land district and save. 16. High price of land. 17. Cheaper interest rates. 18. Yes. 19. Combat high rent and get right to diversify. 20. None here. 21. No. 22. Yes.

No. 143.—Renter, aged 30: Bought 100 acres of land 4 years ago; paid \$75 per acre; \$1500 cash, balance 5 years at 8% interest. Could not pay interest and sold place for same amount. No man can rent land and make enough farming to buy it. The high interest rate is a bar. The farm I am cultivating was bought by the present owner in 1905 for \$45 per acre; it is now worth \$150 per acre. My landlord does not require more cotton than I want, but other landlords in this vicinity do.

No. 144.—Renter, aged 60: have occupied the farm I am now on 10 years; have bought only one load of corn in that time. There are 85 acres in this farm. My landlord does not require more cotton than I want to plant, but I know that many landlords in this county do make such requirements of tenants. This is especially true of landlords who live in town. The high price of land and a bad financial system are the chief causes of tenancy. As a remedy I believe we should encourage small farms, build more farm houses and have no crop larger than a farmer can make and harvest himself.

No. 142.—Age 44; Renter: Borrows from bank on unsecured notes and buys for cash; bought on credit until two years ago but prices paid will

ruin us. Rents 66 acres on shares. No renters have bought land the last two or three years. Several who bought before that time have lost their homes. One man sold his home in the southern part of the county for \$2500 and paid it on a farm near me two years ago, last fall (1914) he lost his farm and all he had paid on it. Every farmer in this neighborhood is in debt. Wants to remain on the farm and would not go to the city if offered a job but sees no hope of buying a home in high priced land section—may try where land is cheaper. Believes the high price of land and low price of farm products is responsible for increase of tenancy.

#### SMITH COUNTY.

No. 3. Age 60. Dairy farmer; owns farm; buys all supplies for cash; borrows from bank when necessary; had difficulty at first getting loans from banks on satisfactory terms; bankers wanted to deduct 10% from face of note regardless of maturity; refused to accept these terms and was told it was usual practice and only after several refusals was he able to borrow money at rate of 10% per annum. "The curse of this section," he said "is the credit system. It is the worst form of graft I have ever known. I have never been its victim but I have seen its blighting effects all about me. Tenants and other farmers who are compelled to buy on credit are charged from 25% to 50% more than cash prices and 10% in addition. I know this to be true of my own knowledge. Recently I was in a credit store on other business and asked for \$1 worth of sugar and was given one \$1 package and one 50c package put up for credit trade. The \$1 package contained 10 pounds and the 50c package contained 5 pounds. Thus, I got half as much again as the credit customers of this store. I buy flour at \$1.75 which is sold regularly to credit customers at \$2.50. Other supplies are sold at like prices. As a rule banks will not loan money to tenants, thus compelling them to buy from credit merchants. Cotton buyers will not buy cotton from tenants on same terms as from independent farmers. Before they will bid on cotton they first inquire who owns it and from whom the seller bought his supplies. If it develops that the seller owes a credit merchant the buyer will refuse to bid, compelling the farmer to sell to the credit merchant at his own price. Last fall I witnessed a transaction of this kind and know that the tenant, whose cotton was as good as mine, sold it for one-half cent a pound less than I received.

"The power of the credit merchants is far-reaching and very few farmers are able to escape paying toll to them. High credit prices is the chief cause of increase of tenancy in this section. Few tenants ever get out of debt. The credit merchants own many farms, and practice a like system of robbery upon their tenants. A few years ago a man moved into this neighborhood with \$3000 in cash. He bought a farm near mine from a credit merchant, paying \$1400 cash and notes for the balance. He spent the remainder of his cash for a new house and other improvements. The poor crop and low prices in 1914 left him unable to pay the note due at that time. When he went to this credit merchant and asked for an extension of time he was told that the best thing for him to do was 'give it up

and let it go.' Being unable to borrow money he was compelled to do so. This case is typical of many others in this county."

No. 6.—Age 35; five in family; rents 60 acres, cash rent.

1. No. 3. Yes. 4. No. 5. Try to do so. 7. 10% for 6 1-2 months. 8. 30%. 9. Third and fourth of crop. 10. Yes. 11. No. 12. Yes. 13. 50 acres. 14. Rent a farm and plant extra acreage to make first payment. 15. Bad health. 16. Credit system. 17. Abolish credit system.

**Note.** Offered to sell cotton seed for planting to neighbor at 50c per bushel. Having no money, this man bought seed from credit merchant in Tyler at \$1.50 per bushel.

No. 7.—Age 49; number in family 4; rents 60 acres on shares.

1. No. 2. Yes. 3. No. 4. No. 5. Havent time. 6. Cotton only money crop. 8. 50%. 9. Third and fourth of crop. 10. Yes. 11. No. 12. No. 14. No. 15. Credit system. 16. Farmers cannot prosper. 17. Don't know.

**Note.** Few renters expect to get out of debt. They are without hope. They do not pay more attention to crops because they know they will have no money at end of year, no matter how much they make. They are hopelessly tied to the credit system and are disheartened and discouraged.

No. 8.—Age 31; four in family; owns 93 acres; owes land note.

1. No. 5. Do so. 7. 10% flat discount. 8. 33 1-3%. 9. Third and fourth of crop. 10. Yes. 11. No. 16. Small farms do not enable fathers to provide farms for children and the latter are compelled to rent. 18. Yes. 19. Marketing.

No. 9.—Age 49; 4 in family; rents 60 acres on shares.

1. No. 2. No. 3. Yes. 4. No. 5. Do so. 7. 10% per annum. 8. 50%. 9. Third and fourth of crop. 10. Yes. 11. No. 12. No. 13. Forty acres. 14. No. Can't make enough renting. 16. Immigration and high interest. 17. Reduce interest rates.

No. 10.—Owner cash store in country village: "Credit system is ruining farmers, they are bound hand and foot. Merchants will not permit them to get out of debt. My predecessor was a credit merchant and I worked for him. When a customer's crop was promising I was told to sell him anything he wanted and urge him to buy. If the customer was a good farmer special effort was made to bring him out in debt, so as to hold his trade next year. Most of the customers of this store were bought from credit merchants in Tyler by payment of their accounts and transfer of mortgages. All mortgages were made to cover crops for three years raised anywhere in Texas. Farmers who owe a merchant cannot get bids on their cotton without consent of the merchant. When the buyer for a merchant puts his foot on the front wheel of a farmer's wagon, it means to other buyers "This man owes us, don't bid." If this farmer insisted on other buyers looking at his cotton, they would ask him how much he had been offered and when told the buyers would tell him that that was about the top of the market and he had better take it."

No. 11.—Age 55; in family 5; own 100 acres.

1. Doubtful. 5. Do so. 7. 10% per annum. 8. 90%. 9. Third and fourth of crop. 16. Credit system. 17. Abolish credit system. 18. Doubtful. 20. No. 21. No, rich top soil washed off. 22. Yes, labor is high.

**Note:** This family gets water from a spring 200 yards from the house.

No. 12.—Age 35; In family, 3; Rents 50 acres for cash.

1. No. 2. Yes. 3. Yes. 4. Yes, this year for first time. 5. Do so. 7. 10% flat discount. 8. 75%. 9. Third and fourth of crop. 10. Yes. 11. No. 12. Yes. 13. 50 acres. 14. No, but will buy when can pay half cash. 15. Accumulating enough money to make first payment sufficiently large to save me from being eaten up by the interest on the balance. 16. Credit system and attempt to buy homes on short time credit. 17. Abolish credit system. 18. Doubtful. 20. No. 21. No, washed out. 22. Yes, bad seasons.

**Note:**—Says banks are in league with credit merchants and advise farmers to buy on credit. Credit merchants buy customers from each other. Mortgages are made for three or four years in advance. Tenants cannot get competition in sale of cotton if they owe credit merchants. The latter have an understanding with other buyers and employ signals to keep them from bidding on their customer's cotton. Scores of farmers in this county have bought farms and paid as much as one-half of the price and lost them through credit merchants taking teams and wagons under crop mortgage. Renters generally do not expect to get out of debt this year. They are discouraged and disheartened. The credit system has been in existence many years and has ruined the farmers of this county. Renters do not plant winter pasture or improve their soil, because they do not know how long they will stay on the place. Land owners will not make long leases.

No. 13.—Age 55; in family 5; Owns 110 acres, mortgaged.

1. No. man can do it anywhere in East Texas. 5. Cannot afford to buy fertilizer for old lands. 7. 10% for six months. 8. 75 to 100%. 9. Third and fourth of crop. 10. Yes. 11. No. 16. Advancing land values and high cost of living. 17. Long time credit and low interest rates.

**Note:** Says credit system has impoverished the farmers of Smith county and they are discouraged and hopeless. They see no way out of debt and will work only enough to get rations to live.

No. 14.—Age 55; In family, 4; Own 77 acres.

1. Yes. 5. Do so. 7. 10% flat discount. 8. 50%. 9. Third and fourth of crop. 10. Yes. 11. No. 16. Credit system and lack of management by farmers. 17. Provide better system of credit. 18. Don't know. 19. Marketing.

**Note:**—Says credit system is ruining the country.

No. 15.—Age 51; In family 7; Own 60 acres.

1. No. 5. Do so. 7. 10% for ten months. 8. 50%. 9. Third and fourth of crop. 10. Yes. 11. No. 16. Credit system. 17. Encourage cooperation.

**Note:**—Credit system drove me from the farm nine years ago, causing me to lose my home and all stock and implements. Worked in city and saved money to buy place now owned. Since return to farm have traded on cash basis until this year. Within last two years four of my neighbors have deeded their farms to credit merchants to pay debts and left the county. Rode from Tyler recently with neighbor who buys on credit. Both had sacks of same kind of flour, he paid \$2.25 and I paid \$1.75; he paid 65c for a bale of hay that cost me 50c; 25c for a sweep that cost me 15c.

No. 16.—Age 48; In family 2; Own 168 acres.



1. No. 7. 10% flat discount. 8. 100%. 9. Third and fourth of crop.  
16. Credit system and thriftlessness.

**Note:**—Was grocery merchant and moved to farm for health. Farmers are robbed by credit merchants and commission men. Know personally that a commission firm in Tyler reported shipment of tomatoes a loss when they brought top prices. A neighbor received such a report from this firm at a time when he had in his possession a letter from consignee offering top prices for more. Credit system controls machinery of courts. Still keep up with grocery prices and know that credit prices are 100% above cost. Since I have been in the county at least 20 men have come in, bought land and have been cleaned out by credit merchants.

No. 17 —Age 47; In family 7; cultivates 172 acres owned by relatives.

1. No. 8. 50%. 9. Third and fourth of crop. 10. Yes. 11. No. 12. No. 15. Can't make enough. 16. Farmers cannot prosper 17. Reduce interest rate.

**Note:**—Know many farmers who bought farms within last three years, not one has made payment; most of them have turned places back for balance due and become renters.

No. 18.—Negro; Owns 100 acres; traded for fifty acres ten years ago and bought fifty acres for \$6 an acre. Still owe \$200 on second tract and see no way to pay it out. Short feed crops compel dealing with credit merchants and pay 80c to one dollar profit on each dollar's worth of supplies bought. "Credit system will probably cause me to lose my farm as I cannot pay debt at prices I must pay for supplies. For years credit merchants have insisted that customers plant so much cotton that they had no time to raise corn and vegetables. This year (1915) they told us to plant more corn but within last few weeks their riders have demanded that we plow up corn and replant with cotton."

No. 19.—Negro; renter; Trade with credit merchant; give crop mortgage on everything. Do not expect to pay out at the end of year. The only way negroes get out of power of credit merchants is to "walk out"—and many of them do so and get along in a new place very well until they begin buying on credit and then they get tied again. If a negro makes a good crop the merchants tempts him to buy wagons and buggies on credit and sometimes will refuse to accept cash in order to keep him in bondage next year. They are now making negro customers plow up corn and plant cotton.

No. 21.—Proprietor of drug store: I was asked by a credit merchant to give him a discount on the drug bills of his customers who traded with me. When I refused he asked me to add 20% to the bills and pay the same over to him. I refused to do so and have made an effort to induce other druggists here to discontinue the practice of paying credit merchants a commission on bills of their customers.

No. 22.—Banker: Smith county farmers pay an average of 30% for credit to make a crop. Credit is impoverishing the people. See no relief except through banks loaning money direct to farmers at reasonable rates of interest.

No. 23.—Credit merchant, Tyler, Texas. Credit system is a necessity

in East Texas, because of the system of farming and the type of farmers. Farmers who buy on credit prosper more than those who borrow from the banks and buy for cash, because credit merchants supervise the operation of their customers more closely than banks do and check their tendency to buy recklessly and extravagantly. Many farmers prefer to buy on credit rather than take care of what they make. Credit obtained through merchants costs farmers 20%. Merchants base credit on cotton almost exclusively and must continue to do so. The credit system cannot be dispensed with in East Texas. Farmers are now practicing economy but one or several good crops would not put an end to buying on credit. Many farmers are dependent and thriftless and will buy anything they want regardless of value or price. A case in point: One of the best negro farmers in this county a few years ago owed this firm \$400.00 but made a good crop and paid his debt in full. Being anxious to keep him as a customer I urged the negro to buy a buggy and turned him over to a salesman who took the negro into the vehicle department where many buggies were on exhibition. When he came to the first buggy in view (a black one) he said: 'I will buy this one.' Passing further down the line he saw a red buggy and changed his mind and bought it without inquiring the price or examining the quality. This incident illustrates the lack of business sense of all negro and many white farmers in East Texas. Credit merchants of Tyler have for years tried to help their customers by inducing them to plant better seed and practice economy.

No. 24.—School teacher. Most farmers in his district own farms but none have bought land in recent years and those owing notes have not been able to meet obligations for the last three or four years. Efforts of farmers to form selling associations has had to encounter open and secret opposition of commercial interests of Tyler, inspired by credit merchants and commission dealers. While the association was in existence it compelled merchants and commission men to pay farmers fair prices, but when the association died prices dropped and were much lower in Tyler than at Jacksonville and other points in this section. Farmers are in need of cooperation, but are discouraged and suspicious. The cause is they have been dealt with dishonestly so often in the past by business men and their own agents.

No. 25.—Age 62; Owns 600 acres; former member of Texas legislature: Income from rental of farms, ten year average, \$4 per acre; present value \$25 per acre. Will gladly make long time leases but tenants will not contract to stay longer than one year. Have much trouble in inducing tenants to plant food and feed crops. Compelled them to do so this year. They prefer to raise cotton and buy supplies on credit. Cost of credit is close to 100%. Credit system is more extensive now than ever before. Very few farmers are able to escape it. Have helped tenants who were "down and out," but as soon as they began to buy on credit they lost all.

No. 26.—Age 40; In family 9; Owns 56 acres.

1. No. 5. Do so. 7. 12% to 25% per annum. 8. 50% to 75 per cent. 9. Third and fourth of crop. 10. Yes. 11. No. 16. High cost of land. Can't

make enough from crops to pay for land. 17. Provide better prices for farm products.

No. 27.—Age 46; In family, 6; Owns 170 acres, mortgaged.

1. No. 5. Do so. 7. 15% per annum. 8. 33 1-3%. 9. Third and fourth of crop. 10. Yes. 11. No. 16. Credit system. 17. Provide better farm credit. 18. Yes. 19. Marketing.

**Note:**—Buying on credit this year and fear will lose all. While in store yesterday a neighbor who buys for cash bought corn for 92 1-2c per bushel while I paid \$1.35 plus 10% on credit; he bought meal for 75c for which I was charged \$1.50.

No. 30.—Age 40; In family, 5; Rents 85 acres for cash.

1. No. 2. No. 3. Yes. 4. No. 5. Raised cotton to get out of slavery—instead it has enslaved me. 8. 45%. 10. Yes. 11. Yes. 12. No. 15. Large cash payment required, short time notes and high interest rates. 16. Credit system. 17. Forbid extortionate prices of credit merchants. 18. Doubtful, merchants successfully oppose cooperative buying and selling by farmers.

**Note:**—Have been “running behind” about \$250.00 each year for four years. Very few farmers will get out of debt within the next five years. In the end we will have to fight for relief.

No. 31.—Age 52; In family, 9; Owns 250 acres.

1. No. 8. 33 1-3%. 9. Third and fourth of crop. 10. Yes. 11. No. 16. Credit system. 17. Limit prices of supplies bought on credit. 18. Yes. 19. Cooperation of farmers to escape from control of credit merchants.

**Note:**—The credit system has been here for a long time but only in recent years has it affected land owners. Owners as well as tenants must now give crop and stock mortgage for credit. Conditions are becoming worse and the people are desperate.

No. 32.—Age 69; In family, 3; Own 300 acres.

1. No. 5. Merchants require cotton so they can sell supplies. 16. Credit system; can't make enough under this system to pay debts. 17. Abolish credit system.

**Note:**—Credit merchants not only control crop operations of customers, but their political actions as well. They dominate political affairs of this county.

No. 33.—Age 37; In family, 6; Owns 100 acres, mortgaged.

1. No. 5. Do so. 8. 60%. 10. Yes. 11. No. 16. Credit system and high interest rates. 17. Reduce interest rates.

No. 35.—Credit merchant, Tyler, Texas: “The credit system has been growing in Smith county for several years. Present conditions of farmers due in large measure to their extravagance. For years they have been buying beyond their means. Prior to the European war credit was too cheap and too easy to obtain and farmers bought too freely. Merchants have insisted upon cotton and their customers have neglected food and feed crops. More than 50% of supplies sold to farmers this year consist of feed and meat. All-cotton farming is not profitable and this year merchants are requiring farmers to plant feed crops. Credit prices are about 20% higher than cash prices. It is better for farmers to buy from credit

merchants, than to borrow from banks and pay cash for supplies, because when they have the cash they will buy extravagantly and wastefully.

#### VAN ZANDT COUNTY.

No. 37.—Credit merchant: Farmers of this county are in poor financial condition, due to cheap credit extravagance. In recent years it has been so easy for farmers to get credit that they have bought food and feed supplies instead of raising them. The European war has only hastened the coming of a crisis which would have come even if there had been no war. In the past any farmer, no matter how poor or worthless, could get credit on which to make a crop. The increase in the number of banks brought competition in lending money. Banks preferred to loan \$100.00 each to ten farmers to loaning \$1,000.00 to one merchant. For several years banks in this county have made loans to farmers at from 10% to 15% flat discount, requiring only the endorsement of a reputable neighbor. This practice resulted in extravagance and over-buying by farmers. They would borrow from different banks and spend the money before time for selling crops and would then come to the merchant for credit. It is better for farmers to get credit from merchants, because the latter compel economy, and having no cash on hand the farmer cannot buy whatever he sees and fancies. This year both banks and merchants are requiring security in all cases. Many farmers have not been able to get credit and have been compelled to work as wage hands. Eighty per cent of all charge accounts on my books are for feed, meat and molasses. The price of goods sold on credit is about 20% above cash prices and varies according to the ability of the buyer to pay.

No. 40.—Age 46; In family, 6; owns 170 acres, mortgaged.

1. Yes. 2. Yes, when I rented. 5. High price of cotton. 7. 30% per annum. 8. 15%. 9. Third and fourth of crop. 10. Yes. 11. No. 16. Credit system. 17. Abolish credit system.

No. 41.—Age 60; In family, 5; Owns 200 acres, bought with money earned off the farm.

1. No. 5. Try to do so. 8. 10%. 9. Third and fourth of crop. 10. Yes. 11. No. 16. Credit system and high interest rate. 17. Reduce interest rate and regulate credit merchants. 18. Yes. 19. Marketing.

No. 43.—Farms 80 acres owned by his family.

1. No. 2. No. 3. Yes. 4. Yes, fenced land himself. 5. Don't know—thought cotton best crop. 8. 40%. 9. Third and fourth of crop. 10. Yes. 11. No. 12. No. 14. No. 15. Cannot get out of debt. 16. Low price of farm products and swindling of farmers by city men. 17. Don't know.

No. 44.—Manager cash store, Wills Point: Farmers in very straightened circumstances and buying very little and living very hard this year. The causes are the failure of feed crops and the low price of cotton last year. There are no credit merchants in Wills Point. There have not been for several years. Most farmers who require credit borrow from banks. The interest rates on farm loans is 10% flat discount. Before the war bank credit was easy to get and there was a tendency toward extravagance. The credit system flourished in this part of the county until 8 or 10 years ago.

Good crops and the advent of state banks enabled the farmers to become independent of credit merchants and the latter went out of business for lack of patronage. The passing of the credit system has benefitted farmers and improved business conditions in Wills Point. When the credit system flourished there were no country stores in the county. Now there are many such stores and all are doing a good business.

No. 45.—Credit merchant, Grand Saline: We are exercising more care in extending credit this year than in the past and as a result many farmers have been unable to make a crop. These belong to the thriftless class who did not respect their obligations. Credit restrictions in the future may reduce the number of farmers but will improve the class. Our practice is to find out how much credit will be necessary for a farmer and permit him to buy only so much a month. The cost of credit obtained from banks and credit merchants is about the same. Credit prices will average 10% to 12% above cash prices and are highest on feed stuffs and other things raised on farms. We have no general rule for fixing credit prices. Thus a pair of overalls the cash price of which is \$1.00, sells for \$1.10 on credit, while a pair of \$3.50 shoes sells for \$4.00 on credit and three boxes of soda or three cans of lye are sold for 25c cash or credit. Cotton is still the main basis of credit. If a farmer raises his feed it is safe to sell him as much as \$5.00 an acre on his cotton crop. About 75% of our credit sales to farmers consists of feed, meat, molasses and other things that can be raised on any farm in this county. The high price of cotton and cheap credit is responsible in large measure for the failure of farmers to raise feed and food crops. The loaning of money to farmers by banks is good for some and bad for others. It tends to encourage extravagance and wastefulness. The increase in number of small banks and indiscriminate lending to farmers cause many of them to incur obligations which they can not possibly pay. This, taken with the failure to raise feed and food crops, brought about conditions that were bound to bring disaster, and the war only hastened, but is not solely responsible for, the hard times we are now experiencing.

No. 46.—Bank Cashier, Grand Saline, Texas: With possible yields and best prices it will take three or four years for the farmers of this section to pay their debts. About a half million dollars of farm loans are carried by the banks and merchants of Grand Saline. This amount is about equally divided between banks and credit merchants. This bank is not making any loans to farmers at this time. (June, 1915). We have no loanable funds, but if we had funds we would not make farm loans until we know what will be the outcome of the agitation and litigation over interest rates charged by banks on farm loans. In three suits filed by this bank to collect such loans the defendant pleaded usury and the bank lost all interest. Several suits to recover double the amount of usurious interest paid the last few years have been filed against another bank in this vicinity. I am told that in Rains county scores of such suits are being filed. Farmers will not let you treat them right. They will turn against their best friend. If this bank had a million dollars to loan it would not loan one dollar to farmers at this time. The agitation and litigation over bank interest rates

was started by the socialists and a few lawyers who wanted fees. While it is cheaper for farmers to borrow from banks and pay cash for supplies it is better for some of them to deal with credit merchants for the merchant will only let them buy so much each month, while if they borrow money for a season's supply, they will spend it in a few months. Small banks can not afford to make farm loans at 10% per annum. A merchant can buy corn at \$1.00 a bushel and sell it at \$1.50, the 50c difference being his profit. If we loan a man \$1.00 and charge him 50c we are guilty of usury.

No. 47.—Bank Cashier, Grand Saline, Texas: Financial condition of farmers in this section is very bad. Only a few will be able to get out of debt this fall. Phenomenal yields and good prices will not enable a majority to pay their debts. Banks here are not loaning much money to farmers this year (1915). Last year we made too many farm loans and a crop failure and the low price of cotton placed banks in a very embarrassing condition. Our necessities compelled us to collect very closely and we collected 40% or 50% of our outstanding loans. We renewed the loans we could not collect but have not made any new farm loans, for the reason that all of our funds available for this purpose were represented by renewals carried over from last year. The action of the banks compels farmers to resort to credit merchants for supplies. The condition of those farmers who owed the banks for 1914 loans has been very embarrassing. The banks could not make further loans to them and they had no unmortgaged property to pledge to merchants for supplies. The result has been that many such farmers have been unable to make crops this year. Previous to this year, crop loans have been much sought after by banks for three reasons: First, the interest rate was attractive; Second, the amount of each loan was small; and Third, the money remained on deposit and was withdrawn slowly. Our experience last year, however, has taught us that such business is hazardous and we will not engage in it so extensively in the future. The socialistic element about here has organized a movement of protest against interest rates charged by banks and has caused several pleas of usury to be made in suits by banks, and in some few instances suits have been filed to collect usurious interest paid for several years past. This agitation has had the effect of causing banks to be more careful in making loans and will result in limiting farm loans to a few men of undoubted solvency and standing. The protesting class will find itself cut off from credit and compelled to rely on credit merchants who can charge prices to suit themselves. The customary rate of interest on farm loans is 10% from time made until fall. We have been deluged with offers by farmers to pay 25% and even 30% for loans until fall, the applicants saying they could pay these rates and save money on purchases of supplies at cash prices.

No. 48.—Credit merchant, Grand Saline, Texas: The credit system is all wrong and I frankly tell the farmers so and urge them to raise food and feed supplies and quit buying on credit. They cannot pay credit prices and prosper. Take for instance a sack of chops. The cash price is \$1.80;

the credit price is \$2.40, or 60c above not cost but cash price. Now 60c for the use of \$1.80 for, say, four months figures up awfully high. Other credit prices are in proportion. On an average credit prices are more than 33 1-3% higher than cash prices. More than 50% of our sales to farmers consists of feed, meat and other things that could be raised on the farm where they are consumed. The lending of money to farmers by banks is responsible in large measure for present conditions. A man will borrow \$200 or \$300 from a bank early in the spring and immediately it begins to burn his pocket and he begins to spend it for things he does not need or could do without. The result is that he is out of money before his crop is made. When a merchant extends credit he arranges it on a monthly basis, and sees to it that the monthly allowance is not overdrawn. The only remedy I know for these conditions is for banks and merchants to exercise closer supervision and regulation over the affairs of their farmer customers. Several years ago when I was losing heavily on farm accounts I went over my books and found that many customers were buying \$50 or \$75 worth of goods in January or February. I went over the list of articles bought and found that they included many things which the buyer did not need or could do without and I quit letting them buy such things.

No. 49.—Bank Cashier, Canton, Texas: There are no credit merchants in Canton. They were here in other years, but were put out of business by the banks. When I came here to open a bank an extensive credit merchant of Wills Point who did much business in this vicinity said to me: "Well, you will put me out of business so far as the Canton territory is concerned." This bank charges 10% flat discount for farm loans. I know this is a violation of the law but I am not ashamed of it. I say publicly and boldly that our interest rates are unlawful, but rates we charge are many times lower than the rates for credit charged by merchants. If the legislature should penalize bankers for making loans at more than 10% per annum, they would force the farmers back into the grip of the credit merchants. At the rates we charge for money farmers can save many times the amount of interest by buying for cash. The A. and M. College is doing a splendid thing in making an investigation of the credit system and if the public knew its disastrous effects they would not sanction the efforts of socialists and other politicians to drive the banks out of the farm loan business by penalizing them for loaning money at more than 10% per annum.

No. 50.—Bank Cashier, Wills Point, Texas: The credit system will destroy any farmer who tries to farm under it. It flourished here until the banks began to lend money to farmers and then the credit merchants went out of business for lack of patronage. I own several farms operated by tenants on third and fourth plan. I will not rent land to a man over 40 years old because if he has reached that age without getting ahead he has missed the ball too often for me to send him to bat. An investigation of the credit system by the A. and M. College will be of incalculable benefit to the business men as well as the farmers of Texas.

No. 51.—Bank Cashier Wills Point Texas: Farmers are badly in debt

but are economising and living on less than ever before. Many were unable to pay their debts last fall but with good crops and fair prices they will get out of debt this fall (1915). The credit system flourished here until 5 or 6 years ago when it was destroyed by the banks loaning money to farmers. The banks had much difficulty at first in inducing farmers to borrow money and buy supplies for cash. Now all farm credit here is obtained through banks. We regard farmers as our best customers. The interest rate is usually 10% from the time of the loan until fall. When we first began loaning to farmers we required personal endorsements, but now we take chattel mortgages when possible. Bank loans encourage extravagance only in exceptional cases. We heartily endorse the A. and M. College plan of making food and feed crops and not cotton the basis of credit. We formerly based credit on cotton, but do not do so any more. The passing of the credit system has benefitted Wills Point greatly. It loses us some trade, but it is the kind we do not want.

No. 52.—Bank President, Wills Point, Texas: The banks of Wills Point destroyed the credit system in this vicinity by loaning money to farmers for crop making purposes. The rate varies from 10% to 12%, and higher flat discount for small loans. For instance a farmer wants to borrow \$15 to hire labor to chop cotton. At 10% the interest would amount to only 35c. which will not cover the cost of carrying the account through our books. We charge \$1.00 for such a loan. Here is a note for \$55 made today (June 7, 1915) due October 1, 1915. We charged \$5.00 for the loan. We find farmers are good security and do not hesitate to make loans to them. If the legislature should penalize banks for loaning money at a higher rate than 10% per annum, it would result in the return of the credit system. Normally farmers require credit for 80% of the cost of making their crop.

No. 95.—First year on rented land. Been a wage hand heretofore. Married and now renting land on halves. Buy supplies on credit. Few of his neighbors borrow from banks, but great majority buy supplies from credit merchants. Very few of them expect to get out of debt this fall.

No. 55.—Age 55; Renter:

1. No. 2. No. 3. Yes. 4. No. 5. Drouth and the stock law. 7. 10% flat discount. 8. 10%. 9 Farmers should own land. 10. Yes. 11. No. 12. No. 15. High price of land and low price of farm products. 16. High price of land and credit system. 17. Adopt socialism. 18. No.

**Note:**—Buys on credit and pays 10% more than cash prices. Says most tenants in his neighborhood look to socialist party for relief. Declined to give information about business because "it would do no good." Says socialism is only relief for farmers.

No. 54.—Age 86; Retired farmer:

1. No. 5. Not farming now; neighbors do not do so because they are wild about cotton. 8. 30%. 9. Third and fourth of crop. 16. High price of land, credit system and all-cotton farming. 17. Don't know. 18. No. 20. None here. 21. No, seasons have changed. 22. No.

**Note:**—Has lived in this section 50 years. Credit system been growing



worse for 35 years, and has impoverished farmers. Has never traded on credit but has observed its effect on neighbors. Has known many men to buy farms in the woods and work several years improving them and then lose them through the credit system. If the inquiry into the credit system now being made by the A. and M. College had been made 20 years ago Texas farmers would be in better condition today.

No. 53.—Age 50; Owns farm:

1. No. 5. No time after taking care of cotton crop, which is the only money crop. 8: 40%. 9. Third and fourth of crop. 10. Yes. 11. No. 16. High price of land and credit system. 17. Provide cheaper credit.

No. 56.—Age 47; Owns 80 acres:

1. No. 5. Plant so much cotton to pay debts have no time for other crops. 7. 30% to 35%. 8. 25%. 9. Third and fourth of crop. 10. Yes. 11. No. 16. Farmers sell homes to pay debts and cannot buy again. 17. Stop land owners from requiring renters to plant so much cotton.

#### RAINS COUNTY.

**Author's Note.**—Since this investigation was made the agitation over usurious interest rates in Rains county has almost, if not entirely, subsided and normal conditions again prevail.

No. 56—Age 47; Farmer: "Last fall (1914) I owed the —— bank two notes, one secured by an endorser and the other by pledge of personal property. On September 11, 1914, an agent of the bank came to me in the field and asked me to consolidate the two notes into one and secure it with a mortgage. At first I refused, saying I was not able to pay the debt at once. He told me that the bank would not expect me to pay at once; that I could have all the time I wanted—from one to five years if necessary; that all the bank wanted was to get the paper in shape for presenting it to the government to get emergency currency and that I could pay it as I was able. I consented and he filled out a note which I signed without reading, as I was at work in the field and did not have my glasses with me. I afterwards learned that the note, which was dated September 11, 1914, and was due October 1, 1914, included \$84 interest for that period. On the first of November the bank made a written demand that I pay at once and threatened to close me out. I paid the note and felt so outraged over the treatment I had received that I went to a lawyer for advice and finally filed suit to recover penalty under the usury law. I feel that I was morally justified in doing this because the bank not only charged me an extortionate rate of interest but had deceived me into signing the note due in less than 30 days when they had promised to give me all the time necessary to pay it.

"I am not advising other men to follow my example, but hundreds of them are going to do so. I have not talked with a farmer in months who has not told me that he was going to make a demand upon the banks for the return of usurious interest this fall. Lots of them are going to settle their outstanding notes with their claims for usurious interest paid in previous years. This will enable many of them to get out of debt who could not do so otherwise. My belief is that the movement against high

interest rates will continue. The end and aim of it is to get 10% money—that is 10% flat discount. Until the banks loan it that way the fight will go on and it will be extended to other places. Demands similar to the one I made are now being made in Sulphur Springs and other nearby towns. There is no organization to make this fight but every farmer feels the same way about it and an organization is not necessary. The banks have robbed and squeezed the people here as long as they can stand it, and they are not going to stand it any longer. The average interest rate paid on farm loans in this county is 30% to 35%. Loans are usually made for a period of 5 to 6 months for which 15% discount is charged. The banks have been very severe in forcing collections and the farmers are very sore. I never buy on credit and do not know credit prices, but the other day I saw a man pay \$2.20 plus 10% for a sack of chops which I can buy for cash for \$1.85. I suppose other credit prices are in proportion.

“While my suit was pending an agent of the bank threatened me with prosecution if I did not withdraw it. He charged me with having given him a mortgage on property that was already mortgaged. At the time I gave the mortgage to the bank I told the bank's agent that there was a prior mortgage of \$300.00 against the property, which I was going to pay off, and I did as promised, leaving the mortgage to the bank a first lien. I defied the bank to prosecute me and when they saw that I could not be bluffed they settled my suit.

“The farmers of this county are in a bad financial condition, due to the robbery of the banks and a crop failure last year. Large crops of feed are going to be raised this year but only a few farms have cribs large enough to hold a year's feed supply. The average rented farm in this county has neither a barn nor a shelter for livestock. The result will be that feed crops raised this year will go out of here in box cars and come back next year the same way and be resold to the farmers to make next year's crop. I am a native Texan and was raised in this county.”

No. 57.—Bank Cashier, Emory, Texas: “Credit requirements for farmers this year (1915) are large, possibly larger than last year. About 33 1-3% of credit to farmers this year has been to buy feed, and about 15% to buy supplies that could have been raised at home. The average farmer does not make good use of his credit. This bank does not make new farm loans during the collection season in the fall. Many farmers go to the merchants in November and December and tell them: “The banks will not begin making loans until January and I want a little credit until then; as soon as the bank opens up I will pay you.” The merchant will not only sell him all he wants to buy but will encourage him to buy things he will not need. When that farmer comes to the bank in January we discuss with him the amount of money he will need to make a crop and loan him that amount. The first thing he does is to pay the merchant and the result is he is out of money before the crop is made. If we will not loan him more money he will go to the merchant and give a second mortgage and the merchant will sell him to the limit of the probable value of his share of the crop. Most of the mortgages held by merchants here are second mortgages, the

first lien being held by the banks. There is some little feeling among the credit merchants against the banks on that account. My advice to farmers is to get their credit exclusively from the banks or merchants and not from both.

"It has been my observation as merchant and banker that farmers underestimate their credit requirements at the beginning of the year. As a merchant, my rule was that when a farmer said he needed \$50 credit to make a crop not to let him have it unless he was a good risk for \$150, because he would invariably want three times as much as he first asked for. As a banker, I have not applied that rule, but I am beginning to believe it will be wise to do so in the future. The average farmer is neither industrious nor economical.

"Last fall the —— bank lost its head and began to force the collection of its farm loans in this county. It compelled the farmers to sell their cotton regardless of market conditions and also to sell their stock and implements. It foreclosed many loans and the severity of its actions caused much public resentment. In one case in which they were especially severe the debtor paid his note and sued for several hundred dollars penalty under the usury statute. The day before the trial the bank settled the suit by paying the claim and that set the county wild. There was much talk and a certain lawyer began to take claims against the Emory banks. At first we compromised, hoping thereby to end the agitation, but instead the agitation increased and the people came in droves to demand the return of interest they had paid us. We quit compromising and will fight all suits. If these suits and demands continue banks will be forced out of the farm loan business and farmers will be compelled to get their credit through credit merchants. I do not think credit merchants are responsible for the agitation against banks. While most of the men who have made claims are socialists, the leaders of the socialist parties have repudiated their action and advised against destroying banks until some substitute is provided.

"I do not know what credit prices are, but farmers tell me that they can pay 25% interest for money and save money by buying for cash. This bank charges 13% for farm loans regardless of maturity. A farmer who borrows \$100 January 1st gives his note for \$113 payable Oct 1, although we are willing for him to pay at a later date if he wants to. The man who borrows later in the year pays the same price. Small banks cannot afford to loan money to farmers at 10% per annum, and an attempt to force them to do so will drive small country banks out of business and concentrate the banking business in large cities where the small farmer cannot get credit. Practically all the business of this bank and of other banks in towns of this size is with farmers. There is not enough commercial business in this town to support one bank. Banks cannot afford to loan money to farmers at 10% per annum. In the first place, the amount loaned is so small that 10% will not cover the expense of running the bank and leave anything for the stockholders. Another reason is that when farmers come to borrow money early in the year they ask for less than they will

require. We know that they will need more later on, and are compelled to keep this amount on hand for them when they need it. If farmers would borrow on the first of January all the money they will need during the year we could afford to charge a lower rate of interest. But instead of doing this they will borrow a part only of what they will need and the remainder must be kept on hand by the bank for them later on. This is why banks charge the same for loans made in late spring and summer as for loans made early in the year."

No. 58.—Negro, Age 63; large land owner: Last fall (1914) I owed the \_\_\_\_\_ bank two notes. I had 17 bales of cotton ginned and stored on my farm, but the price was so low that I wanted to hold for higher prices. I realized that if I sold at prices then being paid I would not have enough money to pay my debts and have anything left to live on through the winter. The bank wrote me a letter to come and pay my notes. I went to see the bank on a Friday and when they demanded at least a part of the debt I promised to come home and sell something and send them a payment. The next day, Saturday, I loaded seven bales of cotton on two wagons and went to Emory, my purpose being to sell the cotton and send the money to the bank. When I arrived at the public square at Emory an agent of the bank roughly demanded immediate payment. I went into a store to see about selling my cotton and when I came out the agent of the bank had unhitched the mules from the wagon and in less than half an hour he sold them for \$225, although I had refused \$350 for them and they were easily worth \$400. The same day he went out to my farm and seized six head of cattle, including three fine milk cows, a two-year-old heifer and two two-year-old steers. He brought them to Emory and sold them the same day for \$125, which was less than half their real value. I borrowed about \$40 and paid the balance due on the notes to the bank and turned them over to a lawyer who sued the bank for usurious interest. An agent of the bank came to see me and tried to induce me to withdraw the suit. When I refused he threatened to put me in the penitentiary. As I had violated no law, I refused to talk compromise with him and he later settled with my lawyer for \$200. The action of the bank "broke me up." I was left with a large family without a milk cow and have been compelled to go in debt again for living expenses. I made \$12 a bale on the cotton I held and if I had been permitted to hold it all for a short time I could have sold it for enough to pay all I owed the bank and to support my family through the winter.

No. 59.—Bank officer, Emory, Texas: The total volume of farm credit in this community is about equally divided between the banks and the merchants. Credit prices are from 35% to 60% above cash prices. Banks charge from 10% to 15% flat discount for farm loans. The rate varies according to the standing and ability of the borrower to pay. In the winter and spring we charge from 10% to 15% for loans maturing Oct 1. Along in the summer we charge only 10%. We collected about 20% of our farm loans last fall. The remainder were carried over and we have loaned mainly to these debtors this year, limiting loans almost entirely to amounts necessary to buy feed and groceries actually necessary to making crops.

The average farm loan this year (1915) is between \$75 and \$100. Last year the average was about \$200.

This spring and summer there has been a wide-spread movement in this section to sue banks for usurious interest. This bank has paid many such claims, compromised others, and now has several suits pending against it. The movement arose out of the severity of a bank located in a nearby town in forcing collection from farmers in this vicinity last fall. That bank had much money loaned to farmers in this county and sent its agent here to enforce payment. It foreclosed many mortgages and livestock and farm implements on which they held mortgages were seized and sold for a ridiculous percentage of actual value. There was a strong revulsion of sentiment against that bank, which was later extended to other banks in some degree. When two suits to recover penalty under the usury statute were filed against this outside bank and were compromised by the bank, the news spread and other farmers began to make similar demands on the two banks here. One of the banks here compromised the first few claims, hoping thereby to end the matter. We did likewise, but instead of hushing the matter up, it advertised it, and for a while claimants for the return of interest were lined up at our bank like farmers at a mill. In self defense we decided to pay no more claims and will contest all suits.

Much feeling has been aroused in this community. A certain preacher in the country near town preached a sermon against usury, upholding the action of the protestants. Articles for and against the suits have been printed in the local newspaper. While it happened that the first six men that collected money from us were socialists, the socialist leaders of the county have ridden over the county circulating a protest against the suits. If the agitation continues, and the banks lose the suits, the effect will be to put the banks out of the farm loan business.

One result of this agitation will be that those responsible for it will be the greatest sufferers. They will cut themselves off from credit at the bank and it is doubtful if merchants will care to extend credit to men who have violated their contracts. For instance, a man who has received many favors from this bank has sued us for usurious interest on loans which enabled him to save his stock from seizure under a mortgage to another bank. Now, this man owes a note on his farm which falls due this fall. I represent the company that owns the note and if this man makes us pay him back the interest he has paid us I will get his farm. A partial investigation has disclosed that at least ten of the parties who have made these demands on the bank owe debts on their farms and it is not likely that any of them will be given any extension when these debts come due.

There is a perceptible movement of farmers from the black lands into this county to buy homes. Land has increased more than 50% in price in the last four years and is advancing.

No. 61.—Attorney at Law, Emory, Texas: "The agitation and litigation over the practice of usury by banks in this and adjoining counties arose out of the action of the ——— bank in exacting unconscionable interest from a farmer who paid the bank about \$84.00 for a month's extension of

a loan of about \$300. He brought the notes to me and I advised him that he could collect double the amount of usurious interest paid. I filed suit for him for \$310. A few days later I filed a similar suit for \$300 for a negro who had been forced to sacrifice his property to pay his debt to this bank. Officers of the bank came to see me several times and tried to get me to dismiss the suits or compromise for a small sum. I refused. Later an agent for the bank came to Emory and publicly declared that he would send the two plaintiffs to the penitentiary, which threat was repeated to one of the plaintiffs in the presence of a prominent merchant of Emory. Later in my office he backed down on his threat and on the day the cases were set for trial the bank paid one plaintiff \$250 and the other \$200 in settlement of their suits. When this settlement became known there was much talk about it and I was deluged with cases of the same kind against banks at Emory and surrounding towns. To date (June 11, 1915) I have filed 36 such cases and expect to file 50 or 60 more before fall.

"The farmers of Rains county borrow between \$350,000 and \$375,000 annually from the two banks of Emory. The usurious interest collected by one of these banks in the last two years will exceed \$27,000. There are 1,322 poll tax payers in Rains county and about 2200 chattel mortgages on the records, practically all of which were given by farmers."

**Note:**—The following memoranda was obtained from copies of complaints prepared for filing in the Justice Court at Emory by the attorney quoted above. The names of borrower and lender are omitted and they are referred to by number.

1. Note for \$149.90; Date Jan. 8, 1913; Due Oct. 1, 1913; paid Jan. 27, 1914; charged in face of note as interest, \$20.00.
2. Note \$132.60; Date April 29, 1912; interest included in note \$17.50. When due paid \$65 and balance merged into new note for \$77.50, dated December 24, 1912; due October 1, 1913; charged as interest interest in note \$7.50.
3. Note \$311; date Jan. 14, 1913; Due October 1, 1913; paid Jan. 31, 1914; interest \$36.
4. First note, \$113; date Feb. 13, 1913; due Oct. 1, 1913; interest \$13. Second note, \$28.50; date May 30, 1913; due Oct. 1, 1913; paid September 11, 1913; interest \$3.50.
5. Note \$170, date Jan. 23, 1914; Due Oct 1, 1914; paid Feb. 9, 1915; interest \$20.
6. Note \$170, date Jan. 13, 1914; Due Oct. 1, 1914; paid Nov. 2, 1914; interest on note \$20.00.
7. First note, \$141; date Jan. 18, 1913; Due Oct. 1, 1913; paid Oct 13, 1913, interest \$16.00. Second note, \$45.00; date May 19, 1913; Due Oct. 1, 1913; interest \$5.00. Third note; \$187.00; Date Jan. 5, 1914; Due Oct. 1, 1914; interest \$21.00. Fourth note; \$113.00, Date Feb. 14, 1914; Due Oct. 1, 1914; interest \$13.00. Fifth note; \$282; Date Jan. 25, 1914; Due Oct. 1, 1914; interest \$37.00.
8. First Note: \$49.90; Date April 1, 1913; Due Oct. 1, 1913; paid Nov. 6, 1913; interest \$7.50. Second note: \$375.20; Date April 17, 1913;

Due Oct. 1, 1913; Paid Feb. 27, 1914; interest \$35.20. Third note; \$38.50; Date July 8, 1913; Due Oct. 1, 1913; Paid Oct. 4 1913; Interest \$3.50.

9. First Note: \$16.50; Date June 28, 1913; Due Oct. 1, 1913; paid Nov. 13, 1913; Interest \$1.50. Second note: \$16.00; Date July 31, 1913; Due Oct. 1, 1913; Paid Nov. 1, 1913; Interest \$1.00. Third note: \$113; Date Jan. 12, 1914; Due Oct. 1, 1914; Paid Jan. 6, 1915; Interest \$13. Fourth note: \$56.50; Date Jan. 3, 1914; Due Oct. 1, 1914; Paid Jan. 31, 1915; interest \$6.50. Fifth note: \$23.00; Date March 16, 1914; Due Oct. 1, 1914; Paid Dec. 9, 1914; Interest \$3.00.
10. First note: \$113.00; Date Jan. 25, 1913; Paid Dec. 12, 1913; Interest \$13.00. Second note, \$56.50; Date May 17, 1913; Due Oct. 1, 1913; Paid Dec. 12, 1913; Interest \$6.50. Third note: \$28.00; Date June 13, 1914; Due Oct. 1, 1914; Interest \$3.00. Fourth note \$113; Date Jan. 3, 1914; Due Oct. 1, 1914; Interest \$13. Fifth note: \$113; Date Feb. 21, 1914; Due Oct. 1, 1914; Interest \$14.00.

No. 62.—Credit Merchant, Emory: "The farmers of Rains county are backward and nonprogressive; they are indolent, thriftless and ignorant, There are some signs of improvement as the 'nesters' die off, but the change is very slow. Our firm was established as a cash house but we soon found that we had to do a credit business. We had to deal with our farmer customers just as we do with children. When they come in for credit we have to decide for them how much they should have and then dole it out to them month by month.

"Since the banks have been lending money direct to farmers, we sell to them on credit until the banks begin to make loans in the spring. When they get a loan they pay us and buy for cash until their money is gone and then we take a second mortgage and supply them for the balance of the year. Nearly all the mortgages taken by merchants here are second mortgages, the banks having first lien.

"When a farmer gets a loan at the bank early in the year, he does not leave the money in the bank but puts it in his pocket and walks around and acts as if he were independent. He will come in here and walk around with a lordly air of independence which I recognize at once. When asked what he wants he will say that he is just looking around but does not want to buy anything just then. I will take him by the arm and tell him I have something to show him and will wind up by selling him \$20 or \$25 worth of things that he does not need. When the time comes around to begin work on his crop he has spent all his money and comes to us for credit and I take a second mortgage and let him have enough to get through on. If he cannot pay the bank and have enough left to pay us in the fall, he will finish paying us with the proceeds of his next loan from the bank, so we get the bank's money after all.

"We have only one price, but we add 10% to all credit purchases. The loaning of money by banks has not hurt the credit business, which is larger in Emory today than it ever was.

"I do not approve the suing of banks for usurious interest. It is being encouraged by a lot of men who know nothing about business. It cannot

fail to hurt the business of the town and county and, most of all, it will hurt the men who are engaged in it. Naturally no bank will ever loan money to a man who sued for the returns of usurious interest and I would not sell to such a man. I fear, however, that some merchants in Emory are laughing up their sleeves and encouraging the bringing of such suits in the belief that if the banks are put out of the farm loan business it will help credit merchants. As a matter of fact, if the banks stop loaning money it would give me and other merchants a chance to sell all farmers at our own prices and we could exact anything we wanted from them."

"No. 64.—Bank Cashier, Cumby, Texas: "The movement in Rains county to sue for the recovery of interest paid banks probably arose out of the cases of—— and —— . In these two cases both parties had deceived the bank by pledging stock that they did not own and one of the men had given us a mortgage on property which was also mortgaged to another bank. The loans were long past due and we insisted on settlement. The two debtors became offended and fell into the hands of a lawyer, who persuaded them to sue us for recovery of the statutory penalty for usury. We compromised these two cases, believing that to be the best and easiest way out. The attorney for the plaintiffs took the money he collected from us and waiving it in his hands as he walked about the streets of Emory declared: 'Boys this is usury money—it is easy to get.' The result was a general movement to demand that the banks return all interest paid on farm loans.

"In the —— case this bank did not charge \$84 interest for 19 days, as has been persistently reported. The note had been past due for about a year and was in a very unsatisfactory shape. I went to the debtor and induced him to give us a new note, the one which we collected later. This new note included only past due interest and interest until maturity at the rate of 15% flat discount.

"Small country banks cannot make farm loans at the rate of 10% per annum. Such a rate will not pay operating expenses, much less dividends. There are now pending against this bank six suits for usury, in five of which we have defense. In the remaining case, we have not been able to find a defense. We are apprehensive that the movement to sue the banks will spread to other counties, although as yet we have had only one suit filed against us by a resident of any county except Rains. We fear the agitation will be taken up by the socialists and politicians and that there will be many such demands and suits this fall.

No. 65.—Credit Merchant, Emory, Texas: "Rains county farmers are getting along this year (1915) on about one-half the credit they have required in other years. They are economizing and living as cheaply as possible. However, with normal yields and normal prices only a small percentage of them will be able to get out of debt this year.

"Bank credit has been ruinous to the farmers of this county. The banks have charged an average of 35% for money and no business on earth can pay that price for credit and live. I have only one price, but to that I add 10% for fall credit.



"The banks have oppressed the farmer. Last year when cotton was at its lowest point in October, they demanded that the farmers sell at once under threat of foreclosure. I know this to be true because scores of farmers showed me the notices they had received from the banks giving them three days to bring their cotton in and sell it under threat of foreclosure. At that time cotton was selling around 6c and merchants were urging the farmers to hold for higher prices. As a rule merchants help their customers hold their cotton until January when the price is much higher.

"The feeling among the farmers toward the bank is very bitter. They have gone along for years paying 35% and as high as 40% interest to the banks without grumbling and when for the first time in years the farmer found himself with a short crop and a poor market, the bankers, instead of coming to his relief, tightened up and demanded immediate payment of his debts. The farmers felt that such a course on the part of the banks was ungrateful and extortionate and have come to hate the banks in consequence. To the many who have sought my advice about bringing penalty suits against the banks I have refused to give advice, but when the bank officials came to me and asked me to use my influence to quiet the agitation, I declined to do anything, because I could not conscientiously tell a man that it was right to charge 35% for the use of money.

"The banks started a report that those who demanded the return of usurious interest would not be able to get credit either from banks or from merchants. Many farmers came to me to learn if the report was true and I told them that it was not. Bank officers then came to me and tried to persuade me that I should deny credit to these men, but I again refused. I will extend credit to any man who has the proper security and his controversy with the banks will not influence me in the slightest. My opinion is that the movement of protest will continue until the banks loan money at 10%."

No. 66.—Bank Cashier, Point, Texas: "The movement in this county to sue banks for penalties under the usury statute arose out of the action of the ——— bank in resorting to drastic measures to foreclose two mortgages. I very much fear that the movement will spread to other sections of the State and expect many demands to be made on banks this fall. A few demands have been made on banks here, but all have come from residents of Rains county or from former residents of that county who have moved to adjoining counties.

"Certain Hopkins county banks have been loaning money to farmers (mostly negroes) in the Lake Fork region of Rains county at from 30% to 50% and have been very severe in forcing collection. A man from that region came to me recently and told me that he had been charged \$50 interest on a loan of \$200 and that he was going to sue for recovery of usurious interest. The cashier of the bank from which he obtained the loan talked roughly to him about paying the note and made many threats. This man complained to me that he had been badly treated, but could not

resent the insult of the bank officer except by filing suit and that he was going to do so.

"This bank formerly charged 15% flat discount for farm loans but as we prospered we reduced the rates. We paid our stockholders 80% dividends in four years and I persuaded them to reduce the rate on farm loans to 10% and 12½% flat discount. This reduction has had a good effect and this bank has not had any demands made upon it for the return of interest."

"No. 67.—Credit merchant, Emory, Texas: "The farmers of Rains county are making this year's crop (1915) on less credit than in any previous year. About 50% of our accounts with farmers is for feed stuffs. A large acreage is planted in feed stuffs this year and if the yield is as large as conditions now indicate, the barns on very few farms will hold it. Very few rented farms have barns large enough to hold a year's supply of feed.

"Credit prices of most articles are 10% higher than cash prices. On a few articles the difference is greater, making an average of about 15% difference.

"Until this year (1915) at least 75% of mortgages taken by merchants in this county were second mortgages, banks holding the first lien. This year merchants have insisted on having first mortgages where possible. The loaning of money to farmers by the banks has injured the borrowers. Having given a first mortgage to the bank early in the year, the farmer would run out of money before his crop was made and in only a few instances would the bank loan enough for him to finish the year. He would give the merchant a second mortgage for supplies to enable him to finish his crop. This worked fairly well until last year, (1914) when the farmer did not make enough to pay both the bank and the merchant. The banks having first mortgages, got it all and the merchants got nothing. The banks insisted on the farmers selling their cotton when the price was low, while the merchant advised them to hold it. I have stood by and looked on while the banks compelled the farmers to sell cotton on which I held a second mortgage at 6c and 6½c. This low price would yield enough to pay the bank but I would get nothing; whereas, if the farmer had been permitted to hold the cotton he would have got a price that would have enabled him to pay me something after settling his debt to the bank. Farmers noted these things and feel very bitter toward the banks.

"When the farmer owed the merchant only, we usually paid him a good price for his cotton, as it enabled us to collect our debt. Sometimes this difference in the price would amount to as much as \$4 or \$5 a bale more than the price paid for cotton on which banks held a first mortgage. Here again the farmers observed the difference in the treatment of them by merchants and the banks and they bitterly resented the action of the banks.

"Farmers who borrow money from the banks at Emory have not prospered as much as those who deal exclusively with the merchants. We try to look after the interests of our customers and help them through

the year. The banks loan a certain amount of money, take a first mortgage on everything they have and turn them loose and will not help them out if they get in a tight place later on.

"If farmers were careful and frugal and knew how to take care of money it would probably be better for them to borrow from banks; but very few of them know how to take care of money. They fritter it away early in the year and must come to the merchants for credit to finish making their crop, as the banks will rarely help them out.

"The movement to compel the banks to return usurious interest is deeply rooted in the resentment of farmers of the treatment they have received from the banks. Personally I would not encourage a man to demand the penalty under the usury law, but I certainly will not do anything to restrain him from doing so. It is his lawful right and the law is supposed to be just. The banks have brought this on themselves and they have no cause for complaint. They have grown rich and pursue a policy of wanting everything for themselves.

"I was appealed to by the banks to help suppress this movement, but I declined to do anything. Next, I was urged to deny credit to anybody who demanded usurious interest from the banks but I declined to do so.

"A man came to me today who had been denied further credit by a bank in Emory because he refused to sign a waiver to collect usurious interest. He went to the bank to get \$15 to buy feed to finish making his crop. The cashier asked him to sign a release of his right to demand the return of usurious interest in a note which the bank now holds. The man told the banker that he would not sign such a release, although he had no present intention of demanding the return of usurious interest. The banker refused to make the loan of \$15 and now the man says he will sue the bank for usury when he pays his note. The banks also assert that they do not collect past due interest on notes paid after the first of October but I have personal knowledge that they do collect such interest.

No. 68.—Merchant, Emory, Texas: The farmers of Rains county are lazy and unreliable. Last year (1914) I had some money and decided to help the farmers out. I loaned it to farmers in small amounts, taking their notes without security. To this date, (June 1915) I have not collected one dollar on these loans. They are unsecured and I cannot force collection. The farmers of this county do not know how to handle money. When they get a little cash they immediately proceed to spend it for things they do not need.

No. 69.—Farmer; Age 60; In family, 2; rents 60 acres on halves: Fenced pasture at his own expense: Thinks interest rates charged by banks are too high but does not approve usury suits.

No. 70.—Farmer, Age 30; In family, 3; rents 65 acres on shares: Does not approve usury suits but thinks agitation may continue. Not enough room in barn for year's supply of feed.

No. 71.—Farmer, Age 54; In family, 7; owns 175 acres of land: Interest rates charged by banks is too high but does not approve suits for recovery of usury; believes protest will continue until banks charge legal rate.

No. 72.—Farmer, Age 40; In family, 3; owns 80 acres: Does not approve usury suits but thinks interest rate too high; believes agitation will continue. Very few neighbors have barn room sufficient to store feed crops. Does not grow food and feed crops because he is in debt and must plant cotton to pay. Believes the government should loan money at low interest and long time.

No. 74.—Farmer; Age 40; In family, 11; owns 80 acres: A real farmer does not need credit; he will always have money coming in. When I was in easy circumstances I raised my living on the farm; when I bought land and went in debt I turned to cotton and went broke.

No. 79.—Negro, Age 65; Owns farm: Only a few negro farmers will get out of debt this year. The credit system is ruining them. The sentiment among negroes is that they should not sue the banks for usury, but pay notes and quit borrowing, although it is cheaper to borrow money from banks and buy for cash than to trade on credit.

No. 84.—Farmer, Age 27; first year on farm: Do not approve usury suits. I think a man should stand by his contracts. Majority of farmers disapprove suits and believe the movement will die. No barn on place. Does not know where will store feed crops. (This man was ploughing barefooted.)

No. 85.—Farmer, Age 45; share renter: Cheaper to get credit from bank; agitation against bank interest not very strong; thinks it will continue. Not many farmers will get out of debt this year. Is much troubled because has no barn room to store feed crop; high price of supplies and low price of farm products has caused many farm owners to sell homes to pay debts.

No. 86.—Farmer, Age 30; Renter: Believe store credit cheaper than bank credit; thinks agitation against high interest will continue; no barn room to store feed.

No. 87.—County Official of Rains county: "Financial condition of farmers in this county is very bad and has been growing worse for several years. The credit system has been growing and in recent years banks have been exacting very high rates of interest. It is cheaper for farmers in this county to get credit through merchants than through banks. Credit merchants charge 10% above cash prices while the average rate of interest on bank loans is 35% and in some cases it runs as high as 75% and even more.

"The movement to sue banks for usurious interest arose out of the hard condition under which farmers suffered. Many of them were unable to get money or credit and when an opportunity was presented to get back from the banks some of the high interest they had paid, they took advantage of it. The banks have brought these conditions on themselves by oppressing the farmers. I believe some of the credit merchants are encouraging the fight against the banks and I have heard some of them declare that they would not deny credit to a man because he had sued the banks for interest.

"The feeling in this community on the subject of these suits is intense.

The banks are doing everything in their power to cut the movement down, but so far without success. I do not believe the agitation will die out soon, but expect a deluge of similar suits this fall when outstanding notes are paid. I believe it will be kept up until the banks are compelled to loan money at the rate of 10% per year.

"Mr. Sisk, the County Demonstration Agent, is a very competent official and has done good work in the county, but he signed a protest against these suits and has thereby incurred the ill will of many farmers and a majority of the members of the commissioners' court. It is very probable that he will be put out of office by the commissioners at the meeting of the court to be held next Monday. He should have kept out of the controversy. (Note: Mr. Sisk was removed from office as predicted.)

"There are many renters in this county but very few of them have bought farms in the last ten years. It is impossible for an average farmer to rent land on shares in this county and make enough to buy land at present prices. The interest rate on land loans is 10%."

No. 89.—Merchant, Emory, Texas: "The feeling among the farmers on the subject of interest charges by the banks here is very intense. I believe the fight will go on until the banks reduce their rates to 10%. Last fall the bankers seemed to have lost their heads entirely. While merchants were trying to save the situation by a policy of leniency toward their creditors, the banks were squeezing the people who owed them and compelling them to sell their crops and livestock at ruinous prices. Farmers who were in debt to the banks suffered severely and they are still feeling very bitter.

"While I would not sue to recover usury on a contract I had willingly entered into and would not do anything to stir up further strife, I cannot wholly blame some of the men who are making these demands on the bank. Everybody in the county is lining up on one side or the other of this fight and there is much bitterness and acrimony in the discussion of the matter."

No. 92.—Bank Cashier; Point, Texas: "The movement to sue for usurious interest originated as a protest against the severity of the —— National Bank in forcing collections in Rains county. I believe the movement will spread to other counties. Bankers here are still making farm loans, but are very nervous and apprehensive. A man came to me the other day and wanted to borrow \$5. I could not make the loan, as his property was pledged to another bank for a previous loan. He said he had to have the money—that the bank which held a mortgage on his property would not make the loan and that he was going to place his claim for usurious interest in the hands of a lawyer. I argued the wrongfulness and bad policy of such a course and persuaded him to go again to the bank and try and get the loan. He followed my advice, the bank made the loan and I do not think he will sue. The —— bank (the one referred to as having caused the suits to be filed) acted unfairly and unjustly in forcing collections in Rains county."

No. 91.—Bank Official; Emory, Texas: The agitation and litigation over usury threatens the existence of the two banks here and is spreading

to other nearby towns. It has appeared in Wills Point, Grand Saline, Alva, Cumby, Sulphur Springs, Point, Lone Oak, and other places. The men responsible for the agitation are irresponsible and without standing, but the menace to the bank is very great. If it goes much further it will destroy all country banks and leave farmers no other choice than to get their credit from merchants. The credit merchants of Emory are secretly encouraging the movement to sue the banks. I know of one bank that would have gone into liquidation if it could thereby have escaped liability under the usury statute. Small banks in rural communities cannot afford to loan money at 10% per annum. Until two years ago the bank with which I am connected charged 15% flat discount. When we had built up a surplus of more than \$25,000.00 we had more money to loan and reduced the rate to 13% discount.

No. 90.—Extracts from advertising which appeared in the Rains County Leader, published at Emory, Texas:

“TO WHOM IT MAY CONCERN. Emory, Texas, May 15, 1915. Whereas, The report has gone forth that the Socialists of Rains county have been the instigators of a movement whereby banks are being charged and threatened with prosecution for a so-called violation of the Usury law, unless overcharged interest is refunded them;

“And whereas, The report is false in fact and unwarranted, causing the Socialists party to appear in the light of a persecutor for the sake of a few paltry dollars, and are in favor and advocate the violation of contracts.

“Therefore, Be it resolved by the undersigned representative socialists of Rains county that we hereby offer our protest against such charges and actions, and call upon all Socialists everywhere to stand firm for equity, justice and the golden rule.”

Signed by 14 men.

“Point, Texas, May 22, 1915. Whereas, a movement has been started whereby the banks of Rains county are being charged and threatened with prosecution for violating the usury law and some of our citizens seem willing to sacrifice principle for the sake of a few paltry dollars, and whereas, such actions are wrong, compromising with evil, misleading and unworthy our high moral standards of progressive citizenship, guaranteeing to all a square deal, therefore let no fair minded American citizen who has a true regard for equity, justice and the golden rule, put forth his hand or influence to violate his conscience and righteous obligation by demanding a portion of the spoils, but rather discountenance, discourage and abstain from such unrighteous practices.

“Therefore, be it resolved by the undersigned citizens of Rains county that we hereby protest against such procedure and go on record as condemning practices characteristic only of pessimistic, undesirable citizens, who exhibit a belief in destructive rather than constructive policies.”

Signed by 49 men.

## HUNT COUNTY.

No. 88.—Bank official; Caddo Mills, Texas: "Fifty per cent of our loans to farmers are to buy feed and meat. Collections were good last year (1914) and while we carried over some accounts, the amount was not larger than we wanted it to be. Practically all of our business was with farmers and we find it satisfactory. Considerable credit business is done here by merchants especially with renters and other farmers in the Eastern and Southern parts of the county. Credit prices are 10% to 12% higher than cash prices. The interest rate on farm loans is 10% flat discount until late in the summer."

## ROCKWALL COUNTY.

No. 93.—Bank Cashier; Chisholm, Texas: "Only a few farmers in this vicinity are prospering. Most of the farms are large and operated by owners with hired labor. They bring in large numbers of negroes in the spring and fall to chop and pick cotton. This system has injuriously affected churches and schools and the social life of the community. Cotton has been the only crop of consequence raised in this community until this year (1915) when a larger acreage in feed crops has been planted. Cotton acreage has not been reduced more than 10%. Very few farmers have raised their feed stuffs for several years, the high price of cotton having caused them to plant practically all their land to this crop, in the belief that it was more profitable to buy than to raise feed and meat."

"Notwithstanding the low price of cotton last year (1914), most farmers paid their debts and our collections were as good as we cared for. Practically all our loans are to farmers. The demand for credit has been large this year (1915), but the increase has been almost wholly for money to buy feed. Farmers have economized as never before, and are making no purchases of things they can do without. Some credit business is done here by merchants, the difference between cash and credit prices being about 10% or 12%. Fifty per cent of the money loaned by this bank is borrowed to buy feed. No land is being bought by tenants, many of whom say they had rather rent land here than own cheap land elsewhere. The usual rate on farm loans is 10% flat discount, except for loans made late in summer when the charge is less."

No. 94.—Bank Cashier, Royse, Texas: "Loans to farmers have increased rapidly in recent years. When our bank first began to make such loans we required personal security, but now most of them are secured by chattel mortgage on stock and equipment. Tenants as well as owners borrow from banks. The readiness with which loans could be obtained from banks has encouraged farmers to become extravagant. They would borrow enough money early in the year to make their crops, use the money to buy horses and other things and then run up a big bill at the store for supplies. Both banks and merchants are exercising more care in extending

credit and it is becoming more difficult for irresponsible farmers to get credit to make crops. There is no general store in Royse, and while both grocery and dry goods stores do some fall credit business with farmers, the credit system does not exist here in the form it does in East Texas. Credit prices are 10% to 12% higher than cash prices.

"Tenants are not buying homes. Quite a number who tried to do so in recent years have lost their farms and all they paid on them. Last fall we took back a farm on which the purchaser had paid \$2,000 of the \$10,000 purchase price.

"Farmers cannot make enough renting land to buy it. The tendency is toward large holdings, the small farmers selling to large land owners. Myself and associates have bought several large tracts of land and tried to sell small farms but the venture has not proven successful. Owners who rent their farms get from 5% to 6% on the present price of land. Many owners are now charging one-third of cotton as rent. (June 10, 1915.)

"We make loans to farmers in the winter months payable in the fall at 10% discount. In late spring and early summer we charge 1% a month. I think bankers who charge more are doing wrong and are making a serious mistake."

#### McLENNAN COUNTY.

No. 101.—Prosperous farmer and land owner: Came to Texas 37 years ago and rented land in McLennan county. After making four crops on shares, bought farm and has continued to buy and sell farms until now. Owns 250 acres, rents a part on shares and cultivates the balance with wage labor. Bought present holdings 17 years ago at \$25 per acre; it is now worth \$100 per acre or more. Believes he could rent land on shares and buy it at present prices, as opportunities in the way of markets and prices are better now than they were 20 years ago.

Does not think it feasible for the government to do anything to aid tenants to buy farms because their present condition is due entirely to inherent incapacity and not to systems of finance or farming.

"Most tenants," he said, "can make a good crop and save enough to buy a farm but they lack the thrift and grit necessary to pay for it. They are unwilling to 'tie themselves down' by buying a place. I have offered to aid many young farmers to buy a farm but almost without exception they declined, giving as their reason that they did not want to tie themselves down while paying for it. The causes of tenancy are personal and are not to be found in the system of farming. To make the present terms of rental more liberal to the renter would be to bankrupt the landowners.

"Farm land is not a profitable investment (increase in price not considered) unless owner lives upon it and gives it his personal attention. Non-resident owners of land in this neighborhood do not realize more than four per cent upon their investment and some less than that sum. Probability of advance in price and the satisfaction of being a land owner furnish the incentive to buy. Very few renters are buying land—they do not want to buy, although it is easier to buy and pay for a farm now than when land was cheap twenty or thirty years ago.



"One reason for the apparent increase of tenancy in Texas is the large number of tenants who come here from other states, and another is that tenant families are increasing the tenant class. The government can do nothing—for it cannot change the nature of men."

This man is kindly and good natured—such a man as would help a deserving neighbor. He feels kindly toward tenants, but is convinced of their utter incapacity to endure the discipline and self denial necessary to become land owners. He regards them as constituting a definite class, useful and desirable in a way, but without power to overcome class limitations.

No. 97.—Age 55; In family, 6; Owns 120 acres: Bought first farm in Falls county 26 years ago while renting land. Wife worked in field to help pay for it. Sold this farm and bought place now owned 11 years ago. Could not rent this land and make enough farming it to buy it at present prices.

No. 99.—Age 72; Owns 200 acres: Bought present farm at \$22 per acre 26 years ago. Now worth \$150 per acre. Did not receive 2% of value of land from tenants last year. Says if tenant is sober and thrifty he can buy a farm even at \$150 per acre. His son, age 22 disagreed with him. Thinks laziness, lack of thrift and intemperance are the causes of tenancy.

No. 105.—Age 47; Share renter; In family, 3; father was land owner; began farming 25 years ago on rented farm in another state; has occupied 3 farms in 15 years in Texas; moved because schools were poor and house not fit to live in. Landlords have required more cotton than he wanted to plant and compelled him to pay cotton rent for land planted to other crops; hopes to buy farm but has no definite plan; considers high price of land and high interest rates chief obstacle; thinks land speculation and poor price of farm products chief causes of tenantry. Believes the government should stop land speculation by graduated land tax; interest rates on farm loans 20%; difference between cash and credit prices 12½%.

No. 111.—Renter; Age 50: "I was born in southern Arkansas and inherited small farm from father. Farm was poor pine land, and I sold it 20 years ago and rented 100 acres in McLennan county. Land was poor, but much better than my Arkansas farm. I remained on this farm 20 years, until owner sold it and was compelled to move. Landlord discouraged planting feed crops, saying he lived in town and did not need them and could buy what he needed cheaper; also, that corn was an uncertain crop and had better stick to cotton. Also discouraged planting garden, but did not absolutely forbid it. Had insufficient pasturage for cow and no pasturage at all for hogs. Rarely raised enough feed for stock and never enough food for family.

"I attribute failure to own a farm to my failure to economize and use good business judgement. In 1906 I banked \$900 after selling my crop and was offered a 66 acre farm for \$2500, which later sold for \$115 per acre. Did not buy because the land was not very good and thought I would wait until I had saved more money and could buy better place. Family began to want things, and as they had helped me to make the money, I could not refuse them. Bought piano for daughter (\$400), also bought ready made

clothing, etc. Soon all my money was gone and bad crop years following kept me poor.

"Have never kept books on farming and do not know what anything I produce costs. Credit merchants usually add 10% to cash price when selling on fall payment. Have borrowed money from bank on landlord's endorsement, paying 10% and 12% interest from date of loan to time of payment in fall.

"Think one handicap of farmer is his being compelled to sell at the price offered him. Think both tenants and landlords to blame for conditions, the latter for requiring too much cotton and the former for bidding a bonus on land and a lack of thrift in their affairs.

"Do not know anything about raising and selling fruit and food crops. Have not read government bulletins or farm newspapers much. Have 2 cows and 100 chickens and will plant a garden and raise plenty of feed crops this year, my present landlord insisting on this as condition of renting me land. Know nothing of rural credit. Have paid landlord from \$700 to \$1,000 a year rent for twenty years on 100 acres of land."

No. 112.—Large land owner in Brazos bottom, operating several thousand acres of land: "Most of the land in this neighborhood is owned by a few men and farmed by tenants on the halves. Majority of the tenants are negroes and Mexicans. White tenants are the least desirable, they are ignorant and lazy and seem to try to do little work as possible to get along. None of these tenants are able to finance themselves and depend entirely on their landlords or merchants for food supplies, paying high prices, of course. None of them ever accumulates anything. They move frequently and are generally very unreliable, rebellious, resentful, suspicious and unthrifty. The white renters care very little for education and are indifferent about sending their children to school.

"The landowners are much to blame for this condition of affairs. They compel tenants to raise all cotton and will not allow them land for a garden or livestock. In fact, they do not want the tenants to raise anything but cotton, with now and then a little patch of four or five acres of corn for an especially good tenant.

"Personally, I do not approve this way of treating tenants and am certain that within my lifetime it will bring serious harm to the country, unless there is a change. Every tenant should be allowed a garden, pasturage for a few hogs, a cow and horse and permitted to raise enough feed to run him.

"The attitude of landowners toward efforts to bring about these changes is hostile, although such changes are gradually being made since the European war. The landlords seem to think that the discussion of these questions will 'put devilment in the heads of tenants.' Since the war, the necessities of the case are forcing changes and there is a disposition to let tenants raise more feed and have a garden.

"The feeling among the tenants toward the landowners is dangerous. All that is needed to bring down violence on the heads of the landlords who have been particularly exacting is a leader to stir the tenants to action.

The feeling is deep enough to drive them to any extreme. In the weeks following the beginning of the war when cotton dropped so low and credit was being cut off right and left, a common saying among white and negro tenants in this neighborhood was: 'If my landlord won't feed me I'll take my gun and go after it—and I'll get it.' I personally know that this sentiment was general.

"The remedy for this condition of affairs is for the landlords to deal more justly with their tenants—give them pasturage and permit them to have a garden and raise enough feed to run them.

"I do not think the A. and M. College can do anything here at this time. The landowners would not cooperate in a campaign to promote diversification and living at home because of fear of its results on the minds of tenants. I believe, however, that they are gradually changing their minds and that in the course of a few years better conditions will prevail. If this does not happen—well, there'll be serious trouble."

No. 113.—Brazos bottom land owner; lives in Waco: "White tenants are a worthless, lazy, lying, anarchist lot. I have kicked every one of them off my farm except one and replaced them with negro laborers, whom I can boss and who will do as I tell them. My experience with white tenants was disastrous. They will lie, steal, and cannot be depended on to take care of property entrusted to them. I do not know what is to become of the country so long as this class continues to increase, for they are socialists at heart—every one of them. I am through with them. I do not think A. and M. College can help them—they are past help—too ignorant to learn anything. I do not know what the remedy for this condition is—simply know I have settled it for myself by getting rid of the worthless white tenants."

No. 114.—Large landowner; lives in Waco: "Many merchants and machinery dealers have offered me 10% to guarantee accounts of tenants. I refused; credit prices paid by tenants are very high. The average tenant will not buy a milk cow, but wants landlord to furnish one for feed. They will not buy a cow because it is an impediment in moving. Prefer American tenants because I am an American. About 3 out of every 100 tenants buy farms. Require my tenants to plant one-half acreage in cotton. Think there is no hope for improving home buying conditions except through educating children—the present generation is beyond help."

No. 115.—Age 32; Renter; 3 in family: This is an energetic young farmer who is going to succeed. Land in his neighborhood is selling at \$100 an acre and upward, and he figures that 8% interest on deferred payment will approximate \$8 an acre or more than he pays as rent for similar land. Paid landlord \$760 rent for 100 acre farm year before last (1913); paid less last year because of low price of cotton. Thinks he could buy and pay for a farm if he could get 5% or 6% money. His plan to buy a home is to buy a place and rent it out and let the rental be applied to the notes until the amount is reduced considerably.

## HILL COUNTY.

No. 120.—Banker, Abbott, Texas: "This bank collected 30% of its farm loans last year (1914). Farmers are getting along on less credit this year than ever before. Men who borrowed \$1000 to \$1100 last year and hired all the labor on their crops are borrowing \$200 or \$300 this year and working in the fields themselves. The banks here extend more credit than the merchants. Credit prices are supposed to be 10% higher than cash prices, but in fact the difference is much more. I know a man who bought a bill of goods amounting to \$57 at credit prices, and settled it for \$39 cash. When the bill was made the clerk was under the impression that it was a credit purchase. Canned goods which sell at 90c and \$1.00 a dozen cash are sold at \$1.50 on credit. This bank charges 10% discount for all loans of 6 months and over and a proportionately lower rate for shorter time. Other banks in this county are charging higher rates. I know of instances where farmers have paid \$35 for a loan of \$200 for 6 months and \$10 for a loan of \$100 for 30 days. Farmers have not made good use of their bank credit, many of them using the borrowed money for hired labor while they loafed about town."

No. 121.—Banker, Abbott, Texas: "This bank loans money to farmers at 10% flat discount. Credit requirements of farmers are large this year (1915) but individual loans are smaller. We take a mortgage on all that a customer has and in some cases we do not let him have all the money he wants, requiring him to show a need for it before we let him have it. Farmers are careless about business matters and many of them do not make good use of credit. With fair prices most farmers about here will pay their debts this fall. If cotton goes up I believe they will go back to all-cotton. They say that they can raise enough cotton on five acres to buy all the feed they will need, while they would have to cultivate a larger acreage to raise their feed stuffs."

No. 122.—Merchant, Abbott Texas: "Merchants extend about half the credit required by farmers in this vicinity. Bank credit has not been good for farmers. It has encouraged them to be extravagant and hire others to do work they should do themselves. We sell farmers mostly on open account, although we have taken many mortgages for debts not paid last year (1914). Some tenants are better pay than their landlords. There are three classes of renters: (1) Those who can and will pay without giving security; (2) Those who are good risks provided they are tied up by mortgage; and (3) Those who are too lazy and indifferent to work, and care nothing for their reputations. We try to do business with only the first class. We do not lose anything on farmers' accounts. Our losses in three years have not amounted to \$300. Our credit prices are about 10% higher than cash prices. This is because we sell only to a select class. Other merchants, probably, could not charge such prices. Within the last two years the number of stock mortgages has been growing very rapidly in this county."

No. 123.—Age 65; Farm owner: Owns 125 acres; average income \$4 per acre; tenants "have better" of landowners. Land not worth more than

\$40 or \$50 per acre, but in normal times will sell for \$150 per acre and will go to \$200 in a few years. Thinks high taxes and extravagance of governments and individuals is cause of the increase of tenantry.

No. 124.—Farm owner, Lives in town: Rented farm this year for one-half of crop because he could not afford to pay high interest rate on money necessary to operate. Paid 10% flat discount for loan. Borrowed \$300 in January, 1914, due October 1, 1914; gave note for \$350; renewed it twice, compounding interest and in March, 1915, discharged debt by paying \$399 or \$99 for the use of \$300 for 15 months. Thinks high interest rates prevent tenants from buying farm.

No. 125.—Age 35 Renter: Rents 80 acres; pays \$6 per acre cash rent for 56 acres; balance in corn for which he pays 1-3 of crop: Farmers in neighborhood in bad condition; very few will get out of debt this year (1915.) European war has nothing to do with conditions—is merely an excuse for robbing the farmer. This country should stop selling anything abroad and use all the products in this country. Renters about here are not buying farms nor do they expect to do so. Banks are robbing the people by charging exorbitant interest rates. Borrowed \$100 January 13, 1914, due Oct. 1, 1914, and gave note for \$110. Borrowed \$100 in December due in sixty days—used the money 75 days, paid \$2.70 interest. Landlord requires more cotton than I want to plant; also objects to my raising food and feed crops; he says there is more money in cotton. I have no pasture for either cattle or hogs. Believe high price of land and high interest rates are causes of tenantry.

No. 126.—Age 32; Renter: Rents 60 acres on shares; "Few farmers will get out of debt this year. Farmers cannot get fair price for what they raise; they should quit borrowing money and buying on credit and not raise more food stuff than they can consume and in this way teach the city people that the farmer must be respected and dealt with fairly."

No. 128.—Renter: Rents 40 acres on shares: "Farmers are losing money. I lost money last year and I fear that I will do so this year. Cannot prosper under present system. Tenants will not improve property under a yearly lease and no leases are made for longer than a year. Social life in the country suffers under a system of tenancy. Do not know any renter who has bought and paid for a farm in recent years, but know many farmers who have lost their homes."

No. 130.—Age 48; Land owner: Owns 60 acres in cross timbers; bought 12 years ago for \$15 and \$18 per acre; now worth \$35 or \$40. "Made all payments promptly but starved myself and family to do it. For ten years I never handled any money; bought from credit merchants and rarely paid all I owed at end of the year. Got out of debt by 'stingy living.' I have told my children that I would rather they would remain renters than go through what my wife and I went through to get a start. I do not know a single man in my neighborhood who has made enough money renting to buy a farm in the last ten years. The remedy for hard conditions on the farm is to educate the people to understand and practice cooperation—

I do not mean cooperation in pulling down corporations and banks but in building themselves."

No. 131.—Land owner; age 29: "Worked in credit store last year; many farmers have not been out of debt for five years and practically all of them are in debt now (1915). Many will not pay out this year. It is impossible for renters to buy and pay for land under present conditions. Know many who have tried it and failed."

No. 132.—Age 35; land owner: "Even with good prices many farmers will not get out of debt this year. Every farmer in this community requires credit and all are in debt. Owners as well as renters must give mortgages to secure credit. Renters are not buying farms. A few who tried to do so have lost what they paid. Present debt conditions not due to war. Farmers have been getting deeper and deeper in debt for several years past. The main causes of increase of tenancy is high price of land, high price of supplies and low price of farm products."

No. 134.—Land owner: "Renters cannot buy land at present prices. Many of my neighbors have lost all they had paid on homes. Cash prices at credit stores are higher than at cash stores. I know this from experience. Do not raise food and feed crops because I must have cotton to pay debts."

No. 135.—Government Crop Reporter: "Few farmers will get out of debt this year; they have been getting deeper and deeper in debt for several years. As a rule, our best farmers cannot do better than pay their current expenses and interest on their debt. Practically no farmers in this section are free of debt. There is no home buying. I do not know of any renter who has bought and paid for a farm in the last ten years, but I do know many who have lost all they paid on homes. A neighbor, a good farmer, bought a farm 12 years ago at \$35 an acre and has not yet paid for it. Debt has caused many farmers to turn to all-cotton farming. Cash prices at credit stores are much higher than at cash stores. Credit purchasers pay these high prices and 10% additional. It is cheaper to pay high interest rates on loans and buy for cash."

No. 136.—Age 47; Renter: Rents 250 acres; been on place 7 years; pays an average of \$7.50 per acre share rent; has 16 head of livestock and bought \$41 worth of feed this year (1915). Most black land farmers do not raise feed in the belief that it is more profitable to raise cotton and buy it. They are mistaken. Those who plant corn do not prepare the land properly. Cannot buy land at \$100 or \$150 per acre on short time at 8% interest. Many have tried it and failed. Did some credit business last year, but found it too expensive. Borrows money from banks in small amounts as he needed it. The rate on loans is 10% flat discount if borrowed in the spring and payable in October and 1% a month if borrowed in the summer.

No. 137.—Age 31; Renter: Dealt with credit merchants last year; grocery bill was \$300 Borrowed from bank this year and bought for cash; groceries and feed today amount to \$150 and family have lived as well as last year. Rent 83 acres; pay 1-4 crop for cotton land and \$5 cash per acre

for grain land; been on place 3 years; paid landlord an average of \$5 an acre rent; will raise feed stuff in future.

No. 138.—Age 79; land owner: "Farmers in this county are almost hopelessly in debt and very few of them will pay out this year (1915). Their financial condition has been growing worse for several years. They are finding it almost impossible to prosper. I cannot recall a single renter who has bought and paid for a farm in the last ten years. The fine white houses you see along the road are owned by men who inherited them from their fathers who came to this country when land was cheap. Many farmers are in state of peonage now. Renters give one day in three or one day in four, for the privilege of living on the earth. The only remedy for present conditions is a better system of laws. Co-operation is a fine thing and farmers should cooperate, but I have lost hope that they will ever do so. We must have laws that will compel them to do things. The credit system is growing worse. Most farmers get credit from the banks, paying 10% even for 3 months loan. Credit merchants charge from 25% to 50% more than cash prices. Oppression of the people by the money power is the cause of the increase of tenancy."

No. 139.—Age 35; Renter: This man is above the average in intelligence and thrift. He is a hard worker, thrifty and ambitious. Has wife and 3 little girls. Wants a home for them and is much distressed because he sees no hope of owning a farm. By strict economy he is able to finance himself, but says he has not been able to get any further ahead than he was when he married and began farming 8 years ago. Buys for cash; has found that cash prices are higher at credit stores than at strictly cash stores; does not raise sufficient food and feed because he hasn't time after taking care of cotton crop. Wants to remain on the farm and would not go to the city if offered a job but has no hope of buying a farm under present conditions. Thinks something should be done to make it possible for renters to buy farms but does not know what should be done.

No. 140.—Farmer and credit merchant; age 38: "Majority of farmers in this county have not been out of debt for five years, and five years of good crops and good prices will be necessary to get them out of debt. No renters have bought and paid for farms in this section in many years, but I know of many renters who bought several years ago and have lost all they had in the last few years. Think the high price of land and bad management of farmers are responsible for the increase of tenancy."

No. 141.—Merchant and land owner: Owns 300 acres of land; rents it for third and fourth of crop; rent does not pay 4% on present price of land. One tenant has just finished thrashing oats; made 10 bushels per acre; sold crop at 80c per bushel, making a gross income of \$8.72 per acre; thrashing cost 80c, leaving net \$7.92; landlord's share \$2.64 per acre. Wheat made 12 bushels per acre; sold for 83c per bushel; gross income per acre \$9.96; thrashing \$1.00; landlord's share \$3.32. Farmers must get cheaper credit and adopt better system of farming or land prices will tumble. Land trading and speculation have put the price of black land far beyond actual value and land owners face a serious situation.

## ELLIS COUNTY.

No. 146.—Renter; age 60; rents 66 acres on shares. "Some owners in this vicinity rent land for one-third of crop 'all round' and some charge money rent for houses and pasture. I paid cash rent for grain land. Tried to raise a garden, but the soil is unsuited and I failed. Land owners are responsible for the all-cotton system. Hard times and oppression of renters by land owners are the chief causes of tenancy. The remedy is to limit the amount of land one man may own."

No. 147.—Land owner: "Bought 73 acres 6 years ago for \$90 per acre, made money for first payment while renting land; had no difficulty in meeting payments, but would have had difficulty such a year as last year (1914) was. Have not borrowed money in 5 years. Lack of thrift is the cause of tenancy."

No. 148.—Land owner; age 52; was formerly in the grocery business and made money in town with which to buy farm. "Quit the credit business because there is no money in it, although prices are high. A man cannot buy a farm on credit and pay for it in 100 years. Many of my neighbors are charging their tenants one-third of crop as rent. Am operating my own place with half renters this year. When I rented it for third and fourth of crop it yielded me about 5% on \$125 per acre. The high price of land is the main cause of tenancy."

No. 149.—Renter; age 35; Rents 100 acres; pays one-fourth of crop for cotton land and \$5 per acre for grain land. "Paid landlord an average of \$4 per acre last year (1914). In other years have paid an average of \$7.50 per acre as share rent. All landlords from whom I have rented land, except present one, have required me to plant more cotton than I wanted. Hardware dealers charge exorbitant price for farm implements; there is no difference between cash and credit prices. Some dealers sell cheaper to owners than to renters. Borrow money at bank for 10% per annum."

No. 150.—Renter; age 35; rents 135 acres on shares; been on place 9 years. "Cannot buy it. It is valued at \$150 per acre; interest on that amount would take one-half of what the place would produce and the other half would not support my family and pay farm expenses. Renters about here do not expect to buy this land. I have bought a farm in Oklahoma and will move on it when I have paid for it. Borrow money from the bank at 10% per annum. The fact that renters cannot compete with land owners as purchasers of this high priced land is one of the main cause of the increase of tenancy."

No. 152.—Renter; Been on present place 9 years. Rents on halves; has saved about \$2000, part of which represents advance in price of city property bought with savings. Pays one-half of the crop as rent because land owner will not rent it for less.

No. 153.—Renter, aged 24; rents on shares; owner wanted one-third "all-around" but would not pay it. "Nearly all farms around me are rented for one-third "all-around." One man pays a third and fourth and \$75 cash for negro house and pasture. Borrow money from bank and buy supplies for cash. Cash prices at credit houses are higher than at cash houses."



No pasture on this farm and haul water for stock. Landlord objects to raising feed crops because he lives in town and says he has no need for share of such crop."

No. 155.—Renter, aged 48; rents 325 acres, pays one-fourth of cotton for cotton land and \$4.50 per acre cash for corn land. Been on this place 13 years. Has paid landlord an average of \$6 per acre in share rent. Has bought and paid for 200 acres of land in West Texas at \$35 per acre. Will move West when landlord becomes exacting. Present landlord has tried three times to induce him to pay one-third, "all around." Refused because that is too much, and renters who pay such rent become mere slaves. Many farms in this neighborhood rent for one-third of the crop. Renters should be more independent and refuse to pay more than third and fourth of the crop. Says the owner of this farm paid \$25 per acre for the land many years ago and it is assessed for taxes at \$35 per acre, but the owner asks \$185 per acre for it.

No. 157.—Renter, aged 35: This man is young, energetic and ambitious; is sane and conservative in his views, but is disappointed and emphatically discontented with conditions; says no man can make money enough renting to buy this high priced land. "The men who cultivate this black land," he said "could prosper if they had a chance, but they haven't got a chance. My landlord will tell you that I am a good farmer, but I have no hope of being able to buy a home, under present conditions. Many renters who bought land a few years ago lost all they had paid on it last year, and others will lose their places this fall, (1915). If we had cheaper interest and longer time on land payments, I could buy a home. I hope the A. and M. College will do something along this line, for the farmers need help. Most of them are heavily in debt and are discouraged and disheartened."

No. 159.—Owner, aged 69: Owns 85 acres, bought 10 years ago for \$62.50 per acre; now worth \$150. Was confederate soldier; went home to Tennessee after the war and came to Texas with enough money to buy a team and a cultivator. Went in debt \$60 the first year, but has not bought on credit since. Rented land 20 years before buying. Renters cannot buy \$150 an acre land. One cause of tenancy is, that renters try to live like landlords and have bigger and better teams than their neighbors. "I know some renters who have mortgaged their mules to buy automobiles. Also, some owners have mortgaged land to buy cars. Both owners and renters are to blame for high rents. The owner, through greed, asks one-third of the crop and renters do wrong to promise to pay that much, for no man can do that and support his family properly.

"A large farm in this neighborhood is rented for one-third of the crop. It came about in this way: the renters on the place had a six months school and wanted a longer term. They got up a petition and the authorities granted a longer term which meant more taxes. One of the owners talked with me about the matter before and after the order was made. He said renters could not afford to send their children to school longer than 4 or 5 months, as they were needed in the fields, he said if his renters forced

him to pay taxes for a longer school term, he would make them pay it by raising the rent to one-third of all crops. When the longer term was ordered, he raised the rent, as he said he would do. In the good roads tax election in this county the renters all over the county voted for it and the owners generally voted against it."

No. 160.—Renter, age 37: "Owners and landlords are robbing and oppressing renters and farm laborers. The present owners of this land did not earn it. They got it by robbing the man who cultivated it. I worked several years as a farm laborer for 75c and \$1.00 per day and boarded myself and family. A family cannot live decently on that wage. Year before last (1913) I worked for that wage and at cotton picking time I was in debt \$127. Have wife and five children and all work in the field. Laborers are not allowed to have a garden, cow or chickens. I worked for one man in this county who owned a farm of 160 acres and rented two other farms, one of 170 and another 140, and worked all of them with hired labor and robbed his laborers. There is so much of this system in the county that it is getting hard for a man to rent a farm. These men have a 'stand in' with merchants and share in the profits on high prices charged their laborers for supplies. The law should prevent a man who owns a farm from renting other farms."

No. 161.—Renter, aged 34; rents 125 acres for one-third of the crop. "That is too much rent to pay; after three years work on this place I am in a slightly better condition than when I came here. Have paid my landlord \$450 more than I would have paid if I had rented for one-third and one-fourth of the crop."

No. 162.—Renter, aged 54; rents 125 acres for one-third of the crop, but does not expect to make anything this year. Has no pasture and no place to keep a cow. Many neighbors have bought farms in recent years, but none have paid for them and many will lose them this fall, (1915). Will move to cheap land country in hope of being able to buy a farm.

No. 163.—Banker: "Farmers in this vicinity are in fair condition and with a fair price for cotton will get out of debt this fall (1915). Credit requirements of farmers have been unusually light this year. Make farm loans at 8% and 10% per annum. Under \$500 the rate is 10 per cent, above \$500 we charge 8%. The farmers about here will not stand high rates. Mercantile credit is diminishing as bank loans to farmers increase."

No. 166.—Credit merchant: "Farmers are badly in debt, but are buying very little this year. My cash business has been unusually good, indicating that the farmers are borrowing money from the banks and that they held on to part of their cash last fall (1914) instead of paying their debts. They did this in the belief that there would be no credit this year. The banks are gradually putting credit merchants out of business, and I am going out of the credit business this fall (1915). The establishment of so many cash stores is making it unpleasant for credit merchants who must have a cash and a credit price. We tried to meet the situation by having one price and adding 10% for fall credit, and we still say that we do this,

but we do not do so—we cannot sell on credit at cash prices plus 10%, we must have more. Jobbers are urging merchants to quit selling on fall time and are refusing credit to some merchants who continue to do so. I believe it is better for a farmer to borrow money from a bank and buy for cash than to buy supplies on credit.”

No. 167.—Cotton buyer and employee of credit merchant: “The credit business of merchants is diminishing as bank loans to farmers increase. Credit prices are from 10% to 15% higher than cash prices and to this higher price is added 10% when payment is made in the fall.”

No. 168.—Banker: “Farmers of this county are in very good financial condition. Credit requirements are light this year and with fair prices for cotton most farmers will get out of debt this fall (1915). Bank loans to farmers are increasing and store credit is passing in this county. Bank rates are 10% per annum, with a minimum charge of 25c for short time loans. Our farmers will not stand for higher rates. Our tenants and land owners are the only buyers of land in this county; no outsiders come here to buy land. It is possible for renters to buy and pay for land at \$150 per acre. Many have done so. The tendency, however, is for land owners to buy more land. Land owners will not obey the new rent law. They will contest its constitutionality, and if they lose will evade the law. Land owners have recently discussed the advisability of buying farm tractors and operating their farms with hired labor, and if renters resist higher rent that will be done and Ellis county renters will find themselves compelled to work for wages or move. Much land in this county is now rented for one-third of all crops and the renters who pay this rate appear to be satisfied.”

#### TARRANT COUNTY.

No. 169.—Banker: “Farmers in this county are badly in debt. Credit extended to them this year (1915) has been light, because the banks were loaded with loans carried over from last year, and merchants were not accepting new credit business. Both banks and merchants were compelled to give credit to customers who were carried over. With the banks it was a case of extend the loan or close out the debtors. Bank loans are rapidly taking the place of store credit in this vicinity. Interest rates on crop loans are 10% per annum, which is as much as the farmers will pay and it is profitable to the banks. Bankers from West Texas and Oklahoma tell me that they charge as high as \$15 to \$17 for the use of \$100 from spring until fall.”

#### WILBARGER COUNTY.

No. 170.—Banker: “Farmers in this county are in good shape this year and are borrowing less than for several years. Our rates are: for amounts above \$500, 10% per annum; less than \$500, from 10% to 20%. There is some store credit here, but less this year (1915) than ever before, as merchants are going out of the business and farmers are coming to the banks for credit. About half of the farmers of this county are renters; none of them are buying land. The greatest need of this county is a cotton ware-

house system. We have a warehouse here, but the charges are exorbitant. This bank owns \$100 stock in the warehouse company and received a dividend of 45½% last year."

No. 171.—Banker: "Farmers in this county are in fairly prosperous condition. Our loans are less this year (1915) than last year. Our rate on crop loans is 10% per annum. Much cotton is raised in this county, most of it by renters. This year (1915) land owners let renters plant some wheat and they are in much better condition in consequence. About half the farmers of the county are renters. No renters are buying land."

No. 174.—Banker: "The farmers of this county are in good financial condition this year (1915). Our loans are less than ever before at this time of the year. Interest rates on farm loans are 10% per annum; being higher for 30 and 60 day loans. Most of our loans are to land owners, but we do some business with renters. About one-half the farm credit of this county is carried by credit merchants—their customers being mostly tenants. Renters are not buying land—the price is too high. The greatest need of this county is a market for feed crops. Land owners do not want to put stock on their farms and intrust its care to renters and renters cannot own stock of their own."

#### HARDEMAN COUNTY.

No. 172.—Banker: "Farmers of this county are in better financial condition than for many years. Credit requirements are very light this year and we have practically no demands for loans at this time (July 1915). There is some store credit here, but it is rapidly disappearing. A large credit house in this town went out of business last year and no other has taken its place. There are many renters in the county. None of them have bought land in recent years. Interest rate on land loans varies from 10% to 12% per annum."

#### RANDALL COUNTY.

No. 175.—Banker: "Last year's crop got many farmers out of debt and this year's crop (1915) will free all the farmers of this county of current debts. Many who were behind with payments on land will catch up this year. Interest rate on farm loans is 10% per annum; on land notes 8% and 10%. Many renters are coming into this county. They are not buying land. Land owners are moving to town. The high rate of interest is the reason given by many farmers for not buying land. Tenants are not as a general rule good credit risks. There is no store credit system in this county."

#### TAYLOR COUNTY.

No. 177.—Banker: "Crop loans in this county are \$50,000 less this year (1915) than last year—result of forced liquidation and greater frugality on part of farmers. Necessity has compelled Taylor county farmers to change their system of farming and practice diversification. Few farmers who diversify borrow money—most of them are depositors. Those who

do not diversify are borrowers. Interest rate on crop loans is never less than 10% and sometimes more. The rate is higher than last year and is higher in small towns than in large towns. There is some store credit in the county, confined mainly to cotton farmers. Renters have not bought much land in this county in the last five years."

#### WICHITA COUNTY.

No. 191.—Banker: "Farmers in this county are in better financial condition says renters are irresponsible and ignorant; thinks it better for land owners to operate farms with hired labor than to rent them to tenants."

No. 191.—Banker: "Farmers in this county are in better financial condition than for many years. Despite bad crops this year (1915) most of them will get out of debt for current expenses and keep up payments on land notes. Local loan companies are hunting for land loans at 8% interest. There is practically no store credit in this county now. Cash stores and banks have put an end to the old time credit system here. Interest rates on crop loans are 10% per annum; loans are made to the better class of renters. In recent years we are refusing to make loans to 'nesters'—that is, small farmers who have only a team and one cow to offer as security. We encourage farmers, especially young men, to borrow money and buy milk cows. Have had many such loans which have been discharged by one-half of profits on sales of milk and butter. We also encourage farmers who are able to do so to buy cheap automobiles to facilitate deliveries."

No. 192.—Renter, age 60; rents 160 acres on shares: "Land valued at \$40 an acre, but price was fixed by trading; it has never been paid for at \$20 an acre. Sold farm in Central Texas 7 years ago and came to this county with \$4,000 in cash. In 7 years have lost it all and will leave this fall. No man living can make enough renting land in this county to pay for it. Many have tried it and failed. Nearly all farmers around me in debt. I have borrowed money at 10% per annum, but many of my neighbors have told me that they are compelled to pay from 20% to 40%. There is no store credit here."

No. 194.—Renter, aged 50; rents 400 acres on shares; came here 4 years ago from North Texas and has lost money. Every farmer of his acquaintance is in debt and was in debt before the war. Renters who bought land are having a hard time paying for it and several have lost everything they had. Interest on crop loans is 10 per cent flat discount. Believes the government should compel large land owners to sell at fair prices and if they refuse the government should condemn their land and sell it to the people. Says he is not a socialist.

No. 178.—Renter, age 52; rents 320 acres, 130 acres in crops and 200 acres in wheat. Owns 160 acre farm in Clay county. "Moved here to get more land for boys to cultivate. Been here 5 years, but have not made more than a living. Have been importuned to buy land, but refused because cannot make enough to support family, pay interest and have anything left to apply on principal. A neighbor bought 200 acres of land 7 years ago for \$25 per acre and has not been able to do more than pay the interest

since he purchased it, and will give up his place this fall. Know of three similar cases and have heard of more. Renters cannot make money enough farming to pay for land—interest eats them up. Think renters try to cultivate too much land. Very little credit system here and not much debt, except on land.”

No. 179.—Banker: “When this year’s (1915) wheat crop has been sold farmers will be in better shape than for a long time. They will pay all current debts and land notes. The interest rate on crop loans varies from 10% per annum to 1% per month, depending in a measure on the character of the borrower and his ability to pay.”

No. 180.—Merchant: does a fall credit business, but credit business is diminishing. Has had practically no losses on farmers’ accounts. Many farmers buy on 30 days credit and settle with money borrowed from banks. Renters in this county are not buying land.

No. 181.—Banker: “When farmers have sold this year’s wheat crop most of them will be out of debt. The two banks here loan about \$200,000 a year to farmers, but neither bank uses its own funds for that purpose. Our own loans are on commercial paper. We loan the money of depositors and friends to farmers at 10% per annum. This part of the county was settled about 7 years ago and only a very few farmers have paid for their land. The first three years, after purchase, they could not pay the interest. In the last two years they have paid the interest and this year many will make payments on the principal. Know of only two foreclosures in 7 years. Farm population is about equally divided between owners and renters. Wheat is the principal money crop and overshadows cotton in importance. We loan to tenants as well as to owners.”

No. 182.—Renter, age 32, unmarried; sub-rents 160 acres for one-half of crop. Original lessor paid \$150 cash rent in advance. Farm is owned by man who paid \$30 per acre for it four years ago; he paid \$3,000 and will lose it all; moved away last fall after selling crop, team and feed at half their value.

No. 183.—Renter, aged 32: rents 200, acres on shares; is not prosperous; thinks farmers try to cultivate too much land; renters and owners both to blame. Bought on fall credit until grain harvest. Credit prices are about 30% higher than cash prices. A neighbor who has paid \$2,000 on his farm moved away last fall, having lost it all. Knows of 3 other neighbors who will lose their homes very soon.

No. 184.—Land owner, age 48; owns 320 acres; first four years after purchase made all payments. “In last three years have paid only the interest; will pay up this year. Two neighbors who bought land when I did and paid one-half cash will lose their farms and all they have paid on them. Renters are not buying land now.”

No. 185.—Renter, aged 32, unmarried: rents 90 acres, all planted to wheat; net profit on 4 years operations represented by 7 head of horses and set of farm implements. No renters have bought land in last few years; three neighbors who bought 5 years ago have not paid interest in 3 years and will lose their farms and all they have paid on them.

No. 186.—Renter, aged 57: rents 240 acres on shares; buys supplies for cash; interest rate on crop loan is 10% flat discount for 6 months or longer and 1% per month for short time loans. "Most farmers in this section are in debt to banks. Make no complaint of rate of interest, because it is cheaper than store credit. Been in this county 7 years, came from East Texas. The old time credit system does not exist here. Renters are not buying land. Since I have been here (7 years) a 14,000 acre ranch has been sold to farmers without cash payment and I am told that only 3 of the whole number of buyers are still holding on and they are not out of debt. In the Red river section of this county large land owners are meddling in the affairs of their tenants. One farmer told me that just before an election on a school tax proposition he received a letter from his landlord (an Oklahoma company) saying that if the tax was voted his rent would be raised. The tax was defeated. My informer did not vote, although he favored the tax. Land owners do not stipulate the acreage in crops to be planted by their tenants, but are showing a disposition to meddle in the affairs of renters and in a few years will be dictating their crop acreage.

"The rental system is partly responsible for the abandonment of food crops for home use. Another cause is, renters cannot compete with big farmers in such crops. I used to make my syrup, but can buy it cheaper from a big concern—or could do so, before most farmers quit making syrup. Am holding 7 bales of 1914 cotton crop; it is exposed to weather; did not put it in warehouse because it would be undergraded. Expect to buy farm in Garza county where land is being sold on long time at 4% interest. Greatest difficulty in buying a farm is the widening ratio between the price of land and the farm price of agricultural products. The chief cause of tenancy is the heavy burden of the present agricultural system, all of which is passed on to the renters."

No. 187.—Renter: rents 200 acres on shares. Came here from Central Texas 4 years ago for wife's health. Net results of four year's work is 3 teams and set of farm implements. "Owe bank for this year's expense of making crop, as do practically all farmers in this neighborhood. Was offered 160 acres of the farm now rented for \$32.50 per acre, \$400 cash, balance in ten years at 8% interest. First year's payment would have been \$800, and if I had bought the place last year (1914) I would have lost it. No renters are buying land and the common understanding among them is that it is impossible under present conditions. The place I am on is a part of a 14,000 acre tract owned by non-residents of this county. Several years ago they cut it into farms and sold to settlers without cash payments. A score or more of farmers settled on the land, built houses and made other improvements and every one of them finally gave up and moved away, losing their investment of time and money. All the improvements on the place I now occupy were put there by a man who was compelled to abandon the place. The only certain profitable business here is stock farming on a small scale, but that cannot be done on rented land."

No. 189.—Owner; age 76. Owns 80 acres and operates farm with hired labor. Says renters are irresponsible and ignorant. Thinks it better for

owners to operate farms with hired labor than to rent to tenants.

No. 191.—Banker. "Farmers in this county are in better financial condition than for many years. Despite bad crops this year most of them will get out of debt for current expenses and keep up payment on land notes. This bank operates a loan company and is hunting for land loans at 8%. There is practically no store credit in this county now. Cash stores and banks have put an end to old-time credit system. Interest rates on crop loans are 10% per annum. We loan to better class of renters. In recent years we have refused to make loans to 'nesters'—that is, small farmers who have only a team and one cow to offer as security. We encourage farmers, especially young men, to borrow money and buy milk cows. We have made many such loans which have been discharged by payment of one-half of proceeds from sales of milk and butter. We also encourage farmers who are able to do so to buy cheap automobiles to facilitate deliveries."

No. 192.—Renter; age 60; rents 160 acres for third and fourth of crop. "Sold farm in central Texas seven years ago and came here with \$4000 in cash. In seven years have lost it all and will leave this fall. No man living can make enough farming in this community to buy land at present prices. Many have tried it and failed. Nearly all my neighbors are in debt. I have borrowed money from banks at 10% per annum, but many of my neighbors have told me that they had to pay from 20% to 40%. I do not know a farmer who buys from merchants on credit. The present price of land about here is speculative, and none of it has been paid for at half its present price."

No. 193.—Owner; age 42. "I own 520 acres of land bought with proceeds of sale of a farm in Central Texas. Been here one year and am now trying to sell to move away. A farmer cannot make enough while renting land here to buy a home."

No. 194.—Renter; age 50; rents 400 acres for third and fourth of crop. "I came here four years ago from North Texas and have lost money. Every farmer of my acquaintance is in debt and was in debt before the European war. Renters who have bought land are having a hard time paying for it and several have lost everything paid on farms. A farmer cannot make enough renting land to buy it. The rate on crop loans is 10% regardless of time of the loan. Credit prices are 25% higher than cash prices. Land speculation is the chief cause of tenancy. Landowners should be compelled to sell their land at fair prices, and if they refuse the government should condemn the land and sell it to the people. I am not a Socialist."

No. 195.—Owner; age 42; owns farm of 320 acres purchased with proceeds of a town business. "Farmers need to co-operate but are too ignorant and suspicious to act together. Ignorance of renters is the reason they do not buy homes. The remedy for tenancy is to educate the renters."

No. 196.—Renter; age 42; rents 300 acres planted in grain for one-third of crop. "I came from the West. Have been unsuccessful and will move this fall to escape the exaction of a landowner who requires me to look



after his cattle and haul his share of the crop to market without compensation. I cannot make enough while renting land to buy a farm. Interest on crop loans is 8% flat discount. The chief obstacle to the acquirement of homes by renters is oppression by landlords and the buyers of farm products."

No. 197.—Owner; age 60; bought 200 acres eight years ago at \$20 per acre; paid \$1600 cash and gave notes bearing 8% interest for balance. At end of first year realized that he could not pay notes and sold 112 acres back to vendor, leaving him 88 acres on which he owed \$1,000. In eight years he has not been able to pay more than the interest and three years ago renewed the mortgage at 10% interest. Is afraid he will never pay out. Says most American neighbors are in debt and that no renters have bought land near him in six years. Those who bought prior to that time have lost all they invested. The man who bought the 112 acres he deeded back lost \$1600 and three years labor in the deal. Many foreigners in the community are doing fairly well, for the reason that they give neither time nor thought to social, religious, or governmental affairs, but concentrate all their energies on making money. Continuing, he said: "I am glad the A. and M. College is giving attention to the business side of farming, and since my government, through the college, is trying to do something for me I will go to the polls today and vote, something I had decided I would not do. I have about given up hope of being able to send my boys and girls to college. My two daughters want to be teachers and we had planned to send them away to school this fall, but will not be able to do so. I fear, also, that we will not be able to educate our boys, as my wife and I have always planned to do."

No. 198.—Owner; age 46. "I own 320 acres on which I owe \$2100. Have paid nothing on the principal in eight years. Many foreigners bought land here eight years ago and lost it. No renters have bought land here in last five years. Know of only three men who own farms free of debt. The greatest need of farmers is a rural credit system. The interest rate on crop loans is one per cent per month."

No. 200.—Owner; age 48. "I own 560 acres and am out of debt. No renters have bought land around here in last four or five years. Majority of farmers in this community are owners. The renters starved out and moved away three years ago. The rate of interest on crop loans is 12% per annum. The laziness of renters is the chief cause of tenancy."

No. 201.—Owner; age 62. "I own my farm free of debt, but most of my neighbors are in debt for current expenses and for land. Many have been in debt for borrowed money for three or four years. No renters are buying land in this community. The rate on crop loans is 10% flat discount. The high price of land and the high rate of interest are causes of the increase of tenancy."

No. 202.—Manager co-operative store. "Many farmers are in debt because of drouth and low price of cotton last year. Very few renters who raise cotton can get credit from banks, and such as do get loans pay high interest rates. This company is owned by farmers and sells on credit,

charging ten per cent on credit purchases. Merchants, bankers and wholesalers fought this company for several years and refused to do business with it. The need of farmers is a warehouse system, and the benefits of the present warehouse law should be explained to them."

No. 203.—Rural preacher. "Practically all the farmers in my charge are renters. Owners of the land live in the city or out of the State. All renters are in debt and are making a bare living. The social and religious life of the people is very poor. The few prosperous farmers own automobiles and go to town for their social life. The most the church can do here is not to retrograde. The hard life of farmers and their families prevents co-operation in social and religious affairs. Landlords oppress their tenants in many ways and tenants feel that they are not getting a square deal from business men with whom they deal in the handling and sale of their products. No renters have bought land in the last three or four years and many who bought four or five years ago have lost their farms and others will be closed out this fall."

No 204.—Owner; age 52; owns 1100 acres; 400 in grain, balance in pasture. "I came to the United States from Germany 35 years ago with wife and child and small sum of money. Got help from my father and bought team and began farming in Illinois. Three years later I moved here and bought 77 acres at \$3.50 per acre on credit. Worked hard, saved money and bought more land from time to time. The reason why Germans succeed in buying land is that most of them were raised poor and are used to working for low wages in the old country. They save what they make. They do not work harder than Americans but they do not spend as much. For illustration, when I was struggling to pay for my home I sent my 13-year old daughter into Wichita Falls to 'work out'. This relieved me of the expense of her board and clothes and brought in some money. When an American neighbor, who is a good man and works as hard as I do, told me what a hard time he was having, I asked him why he did not send his four daughters to town to work. He thought that would be wrong, but I do not think so. I think more of a girl who works than one who does not. I find it impossible, however, to raise my boys to work as I worked when I was a boy and to be as saving in their habits as I was."

#### CLAY COUNTY.

No. 188.—Banker: "Farmers in this section are in debt, as result of low price of cotton in 1914. At least one-half of our 1914 crop loans were renewed. Rate of interest on crop loans is 10% per annum. Nearly all farmers get their credit through banks and there is very little store credit here. No land has been sold to farmers in recent years. Big farmers grow grain; mostly cotton and corn and a little grain."

#### HALL COUNTY

No. 205.—Landowner, cotton buyer and speculator; owns 360 acres operated partly by tenants; sells cotton for farmers: "Many renters get credit through merchants, the cost being more than 30% above cash prices.

Bank loans to farmers range from 10% to 12% discount for three to six months and interest is compounded when loans are extended. A bank in which I own stock has \$10,000 capital and paid 20% dividend last year. Land loans bear 10% interest. Many lenders advertise 7% and 8% money, but commissions and special expense brings the rate to 10%. Energetic and industrious renters could buy land, but few are doing so. The Socialists are deterring many from buying by pessimistic complaints. Renters will not raise feed crops or keep hogs for meat supply. I sell cotton on commission for many farmers, saving them from \$1 to \$6 a bale. I get better prices than farmers because I know how to grade cotton. Local buyers resent my activities, but cannot keep me from dealing in cotton. When a local buyer offers approximately what cotton is worth I refuse to bid, but when they offer much less than its real value I will offer a small advance. Low grade cotton is regularly undergraded in this market. Last year the hail beat out much cotton in this county and buyers told the farmers that it was almost worthless and that they would not pay more than 1-2 cents for cotton picked from the ground. I offered to pay 3 cents and bought 50 or more bales at that price, which I later sold at 5 to 5 1-2 cents. When local buyers offered 2½c for 'bolies' I offered ¼c more and bought many bales, realizing a net profit of from \$5 to \$7.50 per bale. Farmers are not patronizing warehouses and will not do so until a different system is inaugurated. This incident will explain why. A prominent farmer stored ten bales of cotton in a certain public warehouse. His receipt showed the cotton to be of a certain grade. When he told me what he had been offered for it I offered a quarter cent more without looking at the cotton. He said my offer was above the market price, but I repeated it and bought the cotton, which I later sold at a profit of more than \$1.50 per bale. I made this offer because I knew the warehouse manager systematically undergraded cotton to protect himself and his bondsmen. All cotton buyers know this and bid accordingly. Farmers are finding it out and refuse to store cotton. The remedy is for the government to commission a cotton classer who will weigh and grade all cotton offered for sale, whether it be stored or not. I estimate that farmers lose from \$1.50 to \$7.50 per bale on all cotton sold through undergrading. Farmers are also systematically robbed in the sale of cotton seed. Gins are controlled by oil mills and get \$2 a ton for all seed delivered to mills."

No. 206.—Manager general store. "A majority of farmers in this county are in good financial condition, but a considerable number, mostly renters, are badly in debt. Credit requirements are less this year than ever before, due partly to economy and partly to restrictions by the merchants. Most of our credit customers are renters. Cash stores are having some effect upon credit business"

No. 207.—Merchant. "I have been in credit business here many years. Farmers, especially renters, have been falling behind in payment of debts for several years. I was unable to collect a large portion of farm debts last fall and am going out of credit business. The loaning of money to farmers by banks and the opening of cash stores is forcing credit merchants to

go on a cash basis. When a farmer who buys on credit has cash to spend he spends it with a cash store. Store credit costs farmers not less than 25% and sometimes more. Banks charge 10% to 12% discount—farmers apparently not realizing that means 20% to 40% a year. As a rule, farmers who buy on credit buy extravagantly and do not raise enough supplies at home. There is a noticeable tendency toward restricting credit and quite a number of farmers in this county were not able to make crops this year because they could not get credit. Some were compelled as late as a few weeks ago (July 30) to sell their crops and work for wages because they could not get supplies to finish the year. Practically no renters in this county have bought land in the last three years. Many owners are moving to town. I was raised on a farm and would like to be a farmer now, but I cannot afford to take my family into a neighborhood composed almost entirely of renters and it is almost impossible to find any other kind. Renters are dissatisfied and discontented. Socialism is growing in this county. The general outlook is not encouraging—although this is a splendid agricultural section and crop failures are practically unknown.”

No. 208.—Business man. “Present owners of land are ‘on easy street’ and not anxious to sell. Renters are not buying land and have not been doing so for several years. They do not expect to buy here. Some expect to go to New Mexico and buy cheap land and others do not expect to buy land anywhere. Several years ago the credit business flourished here, but it has almost disappeared this year. Farmers are borrowing from banks and buying for cash. Interest rates are 10% discount, usually for six months. If notes are renewed another 10% is added. Even these rates are cheaper than store credit. Merchants who do a ‘fall’ business add 15% to the price of goods and charge 10% interest on the entire amount.”

No. 211.—Banker. “Farmers of Hall county are in prosperous condition and do not need credit of any kind. Very small demand for farm loans. When a farmer needs money he brings a load of feed to town and sells it. There are many renters in the county, but few are buying land. They are prosperous and almost any of them can borrow small sums at this bank without security. For larger loans collateral is, of course, required. Farmers get very little credit from stores for the reason that they do not need it. The rate on crop loans is 10%, on land loans 8%.”

No. 212.—Banker. “Farmers in Hall county are in prosperous condition. Demand for farm loans has been light. Most farmers now get their credit through banks and credit stores are going on a cash basis. The interest rate on crop loans is 10% or better. Of course we cannot make small loans at as low rates as large ones, but we try to stay within the law but ————— (shrug of shoulders). Many renters in the county are in a very satisfactory financial condition and several have deposits of as much as \$1,000 or \$1,500 in this bank. Some of them will buy land.”

#### HALE COUNTY.

No. 213.—Banker. “Farmers of the county are in fair financial condition. Interest on crop loans is 10% per annum, on land notes 8% to 10%. Very few loans for any purpose are made at as low rate as 8%. There are

quite a number of renters in the county and the number is rapidly increasing. Renters are not desirable credit risks. They are not buying land. The needs of this county are cheaper interest on land loans, dairying and stock farming. A stock farmer is a better credit risk than a general farmer. There is no store credit in this county."

No. 214.—Banker and land owner; operates farms with hired labor. In past years rented to tenants with fairly satisfactory results, but had great difficulty in getting tenants who would take care of property. Greatest difficulty is getting reliable foremen and managers. He said: "People unfamiliar with conditions on farms would be surprised to know how many farmers and farm laborers are imbued with Socialism and anarchy. A dangerous state of opinion exists in this country, especially among young men—and conditions are rapidly growing worse."

No. 215.—Banker. "Many farmers will get out of debt this year (1915). Interest rate on crop loans is 10% per annum, on land notes 8% to 10%. Land notes are frequently 'shaved' 10% in addition to interest. Renters are coming into county rapidly, but they are not good credit risks and are not buying land. Landowners are moving to town. The great needs of this country are cheaper money for land loans and combination stock and general farming."

No. 215.—Lawyer and landowner. "Renters are moving in rapidly and few of them are any good. Rented several of my farms and furnished hogs and cattle on shares, but renters would not take care of them. Income from rented land is less than 5% of selling price. I sympathize with renters but most of them are too unthrifty to succeed. The milk and cream business is very profitable, but the average farmer has a contempt for such business—he doesn't want to 'fool with milking,' etc. Landowners are moving to town. This is a curse. No man can manage a farm while living in town and tenants will not. Tenants are not buying land and Socialism is growing. The remedy is for the state to buy land and improve it and sell to farmers on long time and with low rate of interest. There should be restrictions on re-sale. There should also be a limit on the amount of land one person may own, and a heavy tax should be imposed on incomes. If something like this is not done a dangerous condition will develop—in fact it is now almost here."

No. 216.—Banker. "The greatest drawback to the development of this country is the high rate of interest on land loans. The rate is never less than 10% and frequently is more. I know of a transaction recently closed here in which the borrower gave a mortgage for \$20,200 and received \$17,565, and in addition paid 6% on the \$20,200 and a commission of one per cent per year for five years. A prominent citizen here recently got a loan which cost him 11%. Such interest rates are retarding development."

No. 217.—Renter. "Sold farm in Arkansas at a sacrifice and came here four years ago for health. Did not have enough money to make payment on land. Rent 240 acres for one-third of crop (grain). Last year paid landlord \$375 rent on place valued at \$6,000. Have rented 320 acres for next year for \$150 cash. Owner a non-resident. Half of the land in this neigh-

borhood is owned by non-residents of state. As soon as a landowner gets a 'little ahead' he moves to town. Half the farmers in this neighborhood are renters and the number is increasing. Cannot buy land and pay for it with earnings. The price of the place I now occupy is \$6,000. My gross income last year was \$750. Deduct \$480 for interest and I would have only \$270, which is not enough to support my family and pay farm expenses, and would have nothing to pay for improvements and taxes, not to mention the principal debt. The remedy for conditions is government warehouses where farmers can get government loans on staple products when prices drop below cost plus a reasonable profit. Wheat is the best money crop here, but few renters are able to grow wheat because they can only rent land from year to year and cannot get possession in time to prepare for wheat. All the land for rent is also for sale and the owners expect to sell in the fall and will not rent until near the end of the year."

No. 218.—Owner; age 45. "I own 320 acres. I came here seven years ago from Oklahoma. Made no money until two years ago when I went into hog business and rented out my surplus land. From rented wheat land I got \$7 per acre this year (1915). I sell breeding hogs to farmers and get as much for bred sow weighing 100 pounds as I would for a 200-pound meat hog. The demand for breeding stock is larger than the supply. There is not much, if any profit in general farming. There is a big profit in hogs and cattle. My neighbors are going into the hog business rapidly. Renters are moving in very fast. Most of them are 'sorry' farmers and do not stay on a place longer than one year. They can seldom rent land early enough in the fall to plant wheat. Bank loans are made at rate of 10% 'bankers discount,' which amounts to 11%. There is no store credit system in the county."

No. 220.—Landowner; age 48. "I raise wheat and sorghum grains. There is no money in general farming. The profit of good years is lost in dry years. I am going into stock business. Renters are increasing rapidly but they are not prospering."

No. 221.—Renter; age 44. "I rent 320 acres and plant kafir, milo and Sudan grass. Am not prospering. Cannot rent land for longer than one year and cannot make contract early enough in fall to plant wheat. I cannot go into the stock business for the same reason. Cannot buy land at present prices and on terms available. The system of renting land is the greatest obstacle to becoming a home owner. I think the government should reduce the interest rate and stop land speculation."

No. 223.—Landowner; age 51. "I own 320 acres, 200 acres in cultivation. Made money on wheat this year and last year, but am not prospering. Uncertainty of seasons and poor market keep me from 'getting ahead.' I want to go into the stock business; but have not enough capital."

No. 225.—Landowner; age 62. "I came from Tennessee to Texas in 1901 with \$2,500 in cash. Rented land three years and then bought. After buying had \$950 left. Paid \$6.00 an acre for land. Sold for \$25 an acre and bought 100 acres where I now live. Farmers cannot buy land now. By hard work of myself and family have paid for my farm, but am not making

any profit operating it. None of my neighbors are prospering. (He called the names of 17 neighbors of whom 13 were renters and four land owners, two of the latter owning only 30 acres each). Renters are not buying land. Those who have tried it recently have failed and lost all they invested. A neighbor, a good farmer, paid \$1000 cash on a farm and lost all and is now renting. Renters have lost hope and have quit trying to save. If they could hope to buy homes they would be more economical."

#### RUNNELS COUNTY.

No. 226.—Hardware and implement merchant "For first time in five years farmers will get out of debt this year (1915). This will be due to good crops in 1914 and 1915. They are buying more freely now than for many years—too freely, in fact. They will buy as much as the dealers will sell them on credit."

No. 227.—Banker. "Bank loans have taken the place of store credit almost entirely. Credit requirements of farmers are light this year and collections are good. Rate of interest on crop loans is 10% discount without regard to maturity."

No. 228.—Lawyer "Loans are made to good farmers at rate of 10% per annum. Small loans and less desirable risks are charged higher rates. Have had some requests to file suit for penalties under usury law, but have always discouraged such litigation."

No. 229.—Produce dealer and creamery agent. "Buy cream from 25 farmers and ship it to Ft. Worth. Another agent in town has about the same number of customers. Poultry and egg sales of farmers have increased greatly since they began selling cream. Farmers need instruction in care and handling of cream."

No. 230.—Merchant and landowner. "Many farmers are in debt. This is especially true of renters. More Americans than Germans buy on credit, because American farmers do not pay as much attention to poultry, egg and butter business as Germans do. I will not sell to American renters unless their landlords guarantee account. Renters have not been buying land in last five years. I know many young German farmers who have been married five years and have not yet bought homes. A landowner who has 25 renters on his place told me recently that he had notified them to move as he was going to grow grain next year and operate his farms with hired labor."

No. 231.—General merchant: "I have been in credit business many years, but am going on cash basis this fall. Credit requirements of farmers are less this year than ever before as result of economy by farmers and more attention given to poultry and cream business. Many landowners are changing from rental system to wage system. I think the change will be bad for the landowners and for the country."

No. 232.—German farmer; land owner; age 46. "I own 350 acres worth \$40 per acre. Began farming on 100 acres in Falls county which was sold to me by my father. Some years I paid only \$50, other years \$100, but finally paid it all. Sold that farm and bought small farm in this county. Traded that as cash payment on present place. Holder of the mortgage is

a relative and only wants to collect the interest. Have been able to pay but little more than interest, but expect to make substantial payment this year if maize and cotton bring good prices. Have been diversifying only two years but am much pleased with results. Several years ago I got in debt and planted more cotton to pay it, planting only a small patch of feed. Next year I planted more cotton to pay feed debts, and continued this system until I found that I could not make any money by it. I now diversify my crops and sell much butter, eggs and chickens. Have more feed than I can store and my cotton crop this year will be all profit. I could not rent this place and make enough operating it to buy it. No renters in this neighborhood have bought land in recent years. I borrow at bank at 10% per annum."

No. 234.—Renter; age 52; rents 150 acres for third and fourth of crop, and pays \$100 a year for 200 acres of pasture; diversifies crops, raises hogs and sells cream. "I have been in county seven years. I cannot buy land and am seriously concerned over the future of my family. Majority of farmers in county are renters, but none of them are buying land. Many renters bought farms seven years ago, but majority lost their investment. There is much buying of supplies on fall credit, which costs from 30% to 40%. I borrow from bank at 10% per annum, but know other farmers who pay higher rates. I borrowed money last spring to buy dairy cows, but the high rate of interest kept me from buying more, although I had plenty of feed and the cows would pay for themselves in 12 months. Many large land owners are changing from rental system to wage system. The outlook for renters is bad. The feeling between owners and renters is bad enough now, and if present tendencies continue unchanged a serious state of affairs will develop in next few years."

No. 235.—Manager farmers' co-operative store. "Have been tenant farmer all my life, but for past few weeks have been managing small co-operative store. Cannot make enough while renting land to buy a farm. I know only one renter who expects to buy land. About the year 1910 many renters bought farms, but three-fourths of them lost all their investments by 1913. Many renters are leaving the county because of the change from rental system to wage system. Interest rate on farm loans in small towns is 10% discount regardless of time. Ballinger banks charge 10% per annum."

No. 236.—Landowner. "I own 185 acres. Came from East Texas eleven years ago and have prospered by diversifying crops and selling poultry and cream. There are many renters in the county. None of them are buying land. There is much store credit here. Renters are being displaced by owners who will sow grain and operate farms with hired labor."

No. 237.—Landowner; age 46. "I came from central Texas 11 years ago with \$900. Bought 100 acres for \$20 an acre; it is now worth \$40. Have prospered by diversifying crops and raising livestock. Most farmers in my neighborhood are prospering. Only a few have lost farms through inability to make payments. Interest rates on crop loans vary from 10%



per annum to 10% flat discount. The one-crop system is the cause of increase of tenancy."

No. 238.—Land owner; age 62. "My father 'squatted' on school land and later bought it at \$6 to \$10 per acre. Exchanged that land for present farm of 320 acres 11 years ago. The price then was \$10 per acre, it is \$35 per acre now. I rent out a part of my farm, but do not find it profitable. There are many renters in this neighborhood, but none of them have bought land within last seven years. Prior to that time many bought farms, but only a few have cleared them of debt. Many deeded land back to seller and lost all and moved away. None have paid more than interest in recent years. Government cannot do anything to improve conditions. Farmers should organize and co-operate, but they will not do so. Many farmers about here buy from stores on credit. Credit prices are about 30% above cash prices."

No. 239.—Renter; age 33; young German who came to America two years ago; spent one year at college; now making first crop. "I cannot buy land because the price is too high and interest rates would 'eat me up.' I resent the failure of the Federal government to help farmers hold cotton last year (1914.) The government authorized banks to loan government funds to the limit of \$35 per bale and afterwards insured cotton for \$70 a bale for export. I am a Democrat and do not believe in Socialism, but think conditions are beyond the power of individual renters. I favor a graduated land tax and heavy income tax. Adjoining my farm is a tract of 1000 acres of unimproved land which costs the owner 25c and 50c an acre. The owner has done nothing to improve it, but the labor of renters on adjoining farms has raised the price of that man's land to \$35 an acre. Thus the renters have by their own labor made it impossible for themselves to buy land. Something is wrong somewhere. I know of several landowners who have notified renters to move at the end of the year as they will buy tractors and operate land with hired labor. Such action will put renters 'on the fence' and cause trouble."

No. 240.—Land owner; age 36; operates three sections of land with father and brothers. "Nearly all my neighbors are renters. None of them are buying land. They are waiting for the government to give them a farm. Many landowners will dispense with renters and operate farms with hired labor."

#### BROWN COUNTY.

No. 241.—Banker. "Five years ago 50% of the farmers of this county were in debt for land. Today 60% are in debt, and for the last three years have been barely able to pay interest, and many have failed to pay even interest. The debts are small and holders of notes are willing to extend them. Four years ago the interest rate on land notes was 10% and it is the same today. This bank has 2000 farmer customers, and of the \$400,000 of loans, more than \$300,000 is loaned to farmers. On sums of \$100 and upward the rate is 10% per annum, for smaller loans the rate is higher—12% and upward. Eighty per cent of our farmer customers were unable to pay in full last year (1914) and were carried over for small amounts.

Credit requirements are light this year and with fair prices for cotton most farmers will be able to pay current debts this fall (1915). Five years ago the farmers of this county had much surplus stock, but this has been sold and there is very little surplus stock on farms at this time. There are many renters in the county and 40% of our farmer customers belong to this class. None of them have bought land in last three or four years. There are a few large farms in the county and they are planted to grain and operated by hired labor. The credit system has almost disappeared from the county. There is only one credit merchant in this town and he is going on cash basis. Bank credit has supplanted store credit. When farmers first began to borrow from banks they used the money wastefully and bought many things they could do without. But they have heeded the advice of bankers and this year only a small number came back for a second loan. Farmers are buying hogs and cattle and this bank has made many loans for that purpose. This bank does not regard the one-crop farmer as good a credit risk as the stock or diversifying farmer."

No. 242.—Banker: "Farmers of this county have not made good crops since 1909 and their financial condition is not good. They made fair cotton crops last year (1914) but sold it for less than cost of production. There is less livestock in the county now than five years ago, but farmers are stocking up again. Farmers who diversify their crops are in good condition, but this class is not very numerous yet. The farmer who diversifies and sells cream is not a borrower. Bank credit has taken the place of store credit almost entirely. Interest on crop loans of \$100 and upward is 10% per annum; sums of less than \$100 at the rate of one per cent a month. For five years farmers have paid only interest on land notes. Last year (1914) a firm which makes more land loans than all others in this county, collected only two notes and these were small. There is no difficulty in getting loans extended. Land notes bear 8% interest—a few old notes bear 10%. I know of several landowners who have notified renters to move, as they will plant grain next year and operate farms with hired labor. I think they are making a mistake. I have advised farmers to store their cotton in a safe place and we will help them hold it a year if necessary."

No. 243.—Land owner; age 38. "I came west from north Texas 18 years ago. Have been 16 years paying for a farm of 190 acres. The price has doubled since I bought it. Could not buy at present price. I know many renters who have bought farms and lost their entire investment. Renters are numerous and are increasing. None are buying land."

#### COMANCHE COUNTY.

No. 247.—Banker. "Farmers of county are in bad financial condition. Majority of customers of this bank were unable to pay debts last fall. The store credit system is very extensive, but merchants are extending less credit this year than ever before and some are preparing to go on a cash basis. Store credit costs from 30% to 50% more than cash prices. Bank loans are gradually supplanting store credit. Bank rates on large loans is 10% per annum; the rate is higher on small loans. Renters are increasing very rapidly and now constitute a majority of the farmers in

the county. None of them are buying land. I know many landowners who are changing from the rental system to the wage system."

No. 248.—Land owner; age 46; owns 80 acres bought 12 years ago. "There are many renters in this neighborhood. None are buying land. The credit system flourishes here and is impoverishing the farmers."

No. 249.—Land owner; age 35. "I assist my father and brother in operating a 3000-acre farm. There are seventeen tenants on the place. No renters are buying land. Those not financed by landlords buy on credit. Nearly all renters are in debt."

#### SUMMARY.

1. The farmers of Texas as a class are not prospering.
2. The cost of short time credit to farmers varies from 10% to more than 60%. Mercantile credit costs more than bank credit.
3. The credit system flourishes wherever cotton is raised, but is diminishing in volume as results of competition of cash stores and banks.
4. The rate of interest on short time loans to farmers varies according to the standing of the borrower and the system of farming practiced, being highest to the all-cotton farmer and lowest to the farmer-stockman. The rate charged by small country banks is higher than the rate charged by banks in large cities.
5. Farmers who raise their food and feed supplies are regarded as better credit risks than one-crop farmers.
6. There is a marked tendency on the part of merchants and bankers to restrict farm credit and withhold it entirely from the class of unsuccessful farmers.
7. The prevailing rate of interest on land loans is 8%, but many loans bear 10%, and that was the prevailing rate in some sections of the state prior to 1917.
8. The net income of renters, considered as a class, is not sufficient to enable them to pay for land at present prices and on terms generally available.
9. Land buying by renters has practically ceased in Texas. Many who bought from three to seven years ago have lost their entire investment.
10. Owners and renters are practically unanimous in the belief that the income of renters is not sufficient to pay for land at present prices and on terms heretofore available.
11. The majority of homeless farmers attribute their failure to buy farms to the high price of land and high rates of interest.
12. There has been no crystalization of opinion among Texas farmers on the subject of means to promote home-owning, but the greatest number favor governmental action to secure lower interest rates and more favorable terms of payment.
13. Renters are practically unanimous in a desire to remain on the farm, even though they have no hope of owning farms.
14. There is a tendency on the part of large land owners to change from the rental system to the wage system, and the perfection of farm tractors will give an impetus to this movement.

## EDUCATION AND LEGISLATION.

By Clarence Ousley.

A study of credit farming in Texas makes it perfectly plain as already intimated in this bulletin, that either one-crop farming is the cause of high-priced credit, or high-priced credit is the cause of one-crop farming. Perhaps each is part cause and part effect. Looking backward to the period immediately following the War Between the States, Southern agricultural practices prevailing for the last fifty years find their origin in the fact that the Southern farmer's only source of credit when he returned from battle was the cotton crop he intended to plant, for cotton was then the only recognized money crop. Hence the crop mortgage, which has been the process of securing credit in the spring to make a crop to pay the debt in the fall. The process has been repeated year after year until it has become a habit, and habits of business, like habits of persons, soon become second nature. The mind of the debtor farmer and the mind of the credit banker or merchant alike has been fixed upon the single thought of obtaining credit to farm and farming to pay debt. Both have lost sight of real credit values and farm economics.

The usual formula for a crop mortgage negotiation has been about as follows:

Farmer: I would like for you to "run me" this year.

Creditor: How much cotton are you going to plant?

Farmer: So many acres.

Creditor: I will advance so many dollars.

For such a practice and such a state of mind two remedial measures, both chiefly educational, were undertaken by the Extension Service in 1915. The first was to demonstrate that all-cotton farming is not a safe basis of credit except at a ruinous rate.

### Safe Farming and Safe Banking.

Accordingly our Mr. R. L. Bennett, early in the winter of 1914-15, entered upon a painstaking study of the problem and later published a bulletin which showed beyond question that, by all the experiences and rules of sound finance, credit based upon the sole resource of all-cotton, like investments made in

one kind of property or industry, is hazardous. All-cotton farming credit is high because all-cotton farming is risky. By Mr. Bennett's demonstration it is shown minutely and practically, in terms of actual operation and by the cruel test of the book-keeping balance, that the farmer who raises cotton to buy his food and feed cannot succeed as well as the farmer who produces his own food and feed unless he receives as much as 15 cents a pound for his cotton. \* Even then the all-cotton farmer is at a disadvantage with the food and feed farmer because his labor is unwisely distributed, he has much idle time, his family are practically enslaved and his soil loses in fertility by the exhaustion of certain elements of plant food. The Bennett bulletin is an elaborate treatise but this brief summary of its conclusions will suffice in this place. It received cordial endorsement by thoughtful bankers in the Cotton Belt, was adopted by the Dallas Federal Reserve Bank as the basis of a rule for preferential rates on short time notes of farmers who raise their own food and feed, and it has won the approval of members of the Federal Reserve Board and of representative bankers throughout the United States.

During the winter of 1915-16 and the spring of 1916 a representative of the Extension Service by personal visits interested more than a hundred banks in Texas in the use of a farmer's credit rate sheet prepared by Mr. Bennett, and for the first time in the history of Texas agriculture many credit contracts were made on the basis of food and feed farming. The idea is still receiving the encouragement of Southern bankers, stimulated greatly by the activities of Mr. Bradford Knapp, Chief of Extension in the South, United States Department of Agriculture, and when the rule receives universal application there will be a vast improvement in both credit and farming. Diversified farming not only affords a safe basis of credit—and therefore warrants cheaper credit—but it develops a more or less constant stream of deposits for banking operations instead of the customary summer stringency and winter surplus of money which is the inevitable condition under all-cotton farming. Such a condition causes high priced credit for commerce as well as for agriculture.

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\*This calculation was made on food and feed prices of 1914. At present prices cotton would have to bring at least 25 cents a pound.

## Group Credit.

The other effort was to demonstrate that by co-operation farmers themselves may do much to reduce credit charges. In gathering the records for this bulletin Mr. Peteet learned of the Red Springs Farmers Club in Smith county. This organization was composed of a body of earnest men who had experienced or had witnessed the evils of the credit system and had resolved somehow to escape them or to abate them. After several conferences with economists of the Extension Service, a plan was evolved and put into effect with the aid of Hon. S. A. Lindsey, a banker of Tyler, whereby members of the group obtained bank credit at eight per cent per annum, contrasted with eighteen to thirty per cent which had been the rates previously paid, by each borrower contracting a liability of ten per cent of his loan in a fund to guarantee all loans of the group. Loans were made only upon the recommendation of the finance committee of the club which thus became somewhat morally responsible for the transaction.

By this means a group of neighbors, fully acquainted with one another's character, financial resources and needs, obtained credit at a reasonable cost. Results richly rewarded the effort. Every loan was paid at maturity with little or no trouble to the bank; not a cent of the guaranty fund was used, and at the close of the year the members of the club had accumulated sufficient funds to organize a mutual association to continue the plan in a more convenient and more permanent form.

These farmers have learned how to co-operate, how to judge credit and use credit, and how to buy credit cheaply on limited mutual liability. Meanwhile they have learned and have put into practice many improved methods of agriculture, and they now have under way other co-operative undertakings for mutual benefit and neighborhood betterment.

Similar organizations have been formed in other communities, and educational effort in this behalf will be continued, but there is need for a simple rural credit law, in lieu of the present impracticable statute, permitting the incorporation of mutual associations of farmers for borrowing and lending money and for acting as fiscal agents of their stockholders in

the purchase and sale of farm supplies and products. Such a corporation should have power to mobilize the cash and credit resources of its stockholders; to sell or hypothecate its assets and securities, or issue its notes secured by same to an amount not exceeding six times its capital stock; to create a guaranty fund by requiring borrowers to assume liability not to exceed 10 per cent of the sum borrowed by each; to buy and sell its own stock, and to limit stockholders to one vote regardless of the amount of stock owned.

### Farm Home Purchase.

The problem of farm home acquirement will be solved in part at least by the Federal Farm Loan Bank. Experience alone will demonstrate to what extent it will satisfy Texas conditions. Under our homestead law Texas farmers cannot borrow for betterments as freely as the farmers of other states. In the matter of clearing land, which in many parts of the State costs as much as the land itself, and in the matter of livestock, which is the greatest need of Texas farming if we are to escape the curse of all-cotton, the borrower must resort to commercial banks with uncertain rates of interest compounded at ninety or sixty day periods, and this is prohibitive of agricultural development. It is a fact of easy demonstration that our homestead loan restrictions are causing Texas farm owners and purchasers to pay something like one per cent per annum more than borrowers of other states are paying on land loans. It is also a fact worth pondering that farm home ownership is not increasing in Texas as fast as in other states without such homestead provisions. The homestead law appears not to be accomplishing the chief purpose for which it was designed.

Those who are charged with the responsibilities of statesmanship and education are bound in duty to set forth these conditions to the people for their deliberate determination, to the end that all may understand what the present status is costing and what it is accomplishing. The question arises, therefore, whether our homestead law may not be so amended as to permit the full benefit of the Federal Farm Loan Act with lower rates of interest for farm development and yet to preserve an adequate homestead exemption as protection for the de-

pendent family from the consequences of unwise financial adventures.

It will not be surprising if the Federal Farm Loan Bank disappoints expectations in the matter of aiding the homeless to acquire homes. It will lend only one half of the purchase money on a conservative appraisal, and that will afford no relief to the homeless man who has only his farming equipment. In earlier times the State gave homesteads; later it sold land at a nominal price on a fractional cash payment and allowed long time at low rates of interest for the remainder. It was by such means that our chief settlements were effected, and at prevailing prices of land some method of stimulation must be provided if farm home ownership is to be increased in proportion to other development. There are many men who would acquire homes if they had opportunity to work them out as early homesteaders did, but the State has no more land to give and little or no arable land to sell. If the State would serve the present generation as it served former generations, if it would serve those whom the Federal Loan Bank cannot serve, it must employ its sovereign powers in some new manner.

It would be well if by constitutional amendment the legislature were empowered to create a Farm Home Bank which could invest a considerable part of its capital and surplus in small farm homes improved and ready for occupancy by worthy and industrious tenants under long term lease with option to buy. The tenant should be required to pay the customary rental of "third and fourth," to keep the property in repair and to deposit annually with the Farm Home Bank three per cent of the option price. The deposit should bear three per cent interest compounded annually for the benefit of the prospective purchaser. At the end of 10 years he would have deposited 30 per cent, plus the interest, which would make a total of a little more than 40 per cent. That would be sufficient for passing a deed with vendor's lien retained. Meanwhile any improvements the tenant might make would be his. In case of death or disability the accumulated deposits should be returned without interest. By this means any industrious man could be certain of securing a home provided no calamity befell him, and in such case deposit payments would not be sacrificed.



Moreover, there is as much need for a State Farm Home Bank adapted to our peculiar conditions as there is for a system of State commercial banks. If the stock of a State Farm Home Bank were exempted from taxation, as is the stock of the Federal Farm Loan Bank, it would be an attractive investment. If organized on the mutual plan of the Federal Farm Loan Bank it would be owned in time by the borrowers themselves.

For the foregoing reasons it is respectfully recommended that the legislature take under consideration the submission of separate amendments to the constitution providing:

1. That homesteads may be pledged only to a federal or state controlled mutual bank for the purchase of additional land, for improvements or betterments, for clearing, draining or protecting from overflows, for the purchase of livestock, machinery, equipment or fertilizer. Limiting such loans to a government controlled mutual bank will remove the possibility of enticement by private money lenders and will subject the adventurous borrower to the judgement of his local association of neighbors.

2. That the homestead shall consist of as much as 200 acres, provided the actual value does not exceed, say, \$15,000. Under the present law a fortune in either farm property or city property may be held against execution. The fact that fraud has been practiced and may be practiced with ease under the homestead provision requires safe lenders to tax all homestead purchasers and all land borrowers as much as one per cent per annum above the normal rate.

3. That the legislature be empowered to create a Farm Home Mutual Bank in which the State may make temporary investment after the manner of the Federal Farm Loan Act, to serve the purpose discussed in the foregoing suggestions concerning the acquirement of farm homes by lease with option to purchase.

The submission of amendments separately will permit the people to reject one or another without rejecting all. They will have opportunity to amend the constitution to such extent as they choose or by rejecting all to elect to endure the present extra cost of land credit as the price of preserving the homestead law without change. It is respectfully suggested that the con-

sideration of the whole subject is desired by a sufficient number of people to warrant the submission.

A thoughtful citizen cannot contemplate the present state of mind, the present difficulties and the present increase of tenancy without grave misgivings as to the future of the commonwealth and the preservation of free institutions. We must realize that in this agricultural state the tiller of the soil is the producer of all our food and raiment and the chief creator of nearly all our wealth. The discreet exercise of the sovereign power of the State for his betterment is simple justice and sound statesmanship. Home ownership is the best insurance of good citizenship, just government and personal and property rights.