

LAND & LIBERTY

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THE END OF THE NEW DEAL

The final blow to President Roosevelt's New Deal Policy is the decision of the Supreme Court that the Agricultural Adjustment Administration is unconstitutional. The purpose of the A.A.A. was to raise the prices of farm products relatively to those of manufactured articles. The method was to levy a tax, called the "processing tax," upon the first processors of certain farm products, that is to say on the person or company applying the first manufacturing process to these goods. The taxes could be, and no doubt were passed on to subsequent processors and finally to the ultimate consumers, so far as those consumers resided in the United States. (The tax could not be passed on to consumers abroad unless so much of the supply came from the United States that the world price was increased.)

The fund raised by the Government from the processing taxes was used for the purpose of compensating the farmers who agreed to restrict their production. It will be recalled that in the early stages of the policy cotton plants were actually ploughed back into the soil and young pigs destroyed so that they could not reach the market.

The principal products affected, and the amounts of the processing taxes in English equivalents were: Wheat, 1s. 3d. a bushel; cotton, 2d. a lb.; corn, 2½d. a bushel; pigs, 6s. a cwt.; rye, 1s. 3d. a bushel; tobacco, 1d. to 1½d. a lb.; sugar cane, ¼d. a lb.; rice, ½d. a lb.; peanuts, ½d. a lb.

As the Louisiana rice millers contended in one of the cases which came before the Supreme Court the processing tax "was not a true tax." Its primary object was not to supply revenue to the Government but to transfer a certain amount of money out of the pockets of the consumers into the pockets of producers. It would be interesting to know what view the Supreme Court would take if a similar point were taken with regard to the protective tariff, for whatever the ostensible object may be its real purpose is to do precisely the same thing, and it is the demand for protection that keeps the tariff in existence.

Although the alleged purpose of the A.A.A. was to put money into the pockets of the agricultural producers, there can be no question that one of its results was to raise or to maintain the value of land. Indeed this was almost an avowed intention, for the farmers were being pressed by their mortgagees, and if the value of land could be kept up that pressure would be lessened. It is always difficult in cases such as this to bring people to distinguish between the interests of worker and of landowner. Many of the farmers were landowners (subject to mortgages in most cases) and they did not distinguish in what capacity they were receiving money

under the A.A.A. Nevertheless, every increase in land values means an increased income going to non-producers as against producers. In this the small landowner may hope to benefit, but in the long run he will lose. An examination of the list of products subjected to the processing taxes will show that the farmers themselves paid a considerable share of these taxes.

The whole economic theory underlying this legislation was fallacious. It was wrapped up in high sounding phrases, such as "restoring the balance between town and country," or "bringing the price of farm products into equilibrium with the price of manufactured articles." It was based upon the idea that low prices are disadvantageous and high prices a blessing. Nevertheless, as the actual practice of this theory demonstrated, low prices are (other things being equal) a synonym for plenty; and the administration set itself to raising prices by eliminating plenty, and creating scarcity.

Certainly profound changes had been taking place in American economic life. One of these was that it had become possible to produce food and other agricultural products more cheaply. The safety valve should have been found, not in raising prices, but in reducing rents to accord with the new state of affairs. The large landowners, and the banks and financial interests who had lent large sums of money on mortgages of land, were all against this; and many of the small landowners were persuaded that their interests were identical with those of the minority.

Another factor in the situation was that the industrial workers had become impoverished and were not able to buy as much as formerly. It is not necessary here to repeat the explanation of how this also was due to the speculative advance of the value of urban, mineral and other lands, or to elaborate the tale of overcapitalization based upon inflated land values. The increase in protective tariffs in Europe and elsewhere also closed the market for American farm products still further. Whether anything could have been done to stay this tendency at the London Economic and Monetary Conference must remain in doubt; at any rate the American Government dealt the final blow to that Conference by its refusal to consider any proposal for monetary stabilization.

The lesson is clear, the market for basic sources of food and clothing is to be found among the mass of the people. What every Government can do is to abolish the weight of direct and indirect taxation which restricts the purchasing power of the average worker, transferring the burden on to the unearned value of land, and so reducing land values and opening out avenues for employment in all branches of production upon more equitable terms.

F.C.R.D.

Building of houses to let is threatened with a new paralysis. Difficulties are being met in proceeding with slum clearance, and the Government's allied scheme to end overcrowding is likely to be little more than scraps of paper.

Higher prices for land and the compensation provisions of the Act, dealing with overcrowding, are the main reasons for this. Another is the unsatisfactory nature of the subsidy proposals in that Act.—*Daily Herald*, 20th January.

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Twenty acres of land in the parish of Merthyr Tydfil, with the mineral rights, were leased in 1748 for 99 years at £28 per annum. When the lease expired (in 1847) it was renewed on payment of £30,000 a year.—*Western Mail*, 12th December.