

On The Side Of Freedom

by ROY DOUGLAS



MOST PEOPLE find it a good deal easier to argue the case for a free economy with producers of manufactured goods than they do with producers of primary commodities like food and minerals. Are there some special conditions obtaining in primary production but not in secondary production that vitiate all our arguments?

Sir Sydney Caine's booklet *Prices for Primary Producers** is welcome for the way in which this distinguished economist (he is Director of the London School of Economics) faces up to these problems. He comes down firmly and decisively on the side of freedom.

The farmer who sows a field of wheat cannot possibly predict, outside the broadest limits, what the yield will be, or what the market price will be. Vagaries of the weather — not only in Britain, but in any other wheat-producing country — may utterly upset his calculations, even if the world demand for wheat remains stable. Far more serious are the problems of some other primary producers, who must plan for production many years ahead — by planting trees, for example, or by sinking mineshafts. In many under-developed countries the consequences of miscalculation are not just unemployment and poverty, but famine and death.

Sir Sydney gives examples of the violence of some of these fluctuations. In the six years 1947-53 the price of tin rose fourfold, and then sank to a little over one-third of the highest figure. The price of rubber in 1932 was well under one-twelfth of what it had been seven years earlier. To an extent, we may argue this away. As the author says, "A big cocoa crop in West Africa will normally be sold for a lower price than a small one, but the total receipts from it will obviously decline less and may indeed be higher. In long-term comparisons, Malaya does much better today by selling hundreds of thousands of tons of rubber at 2s. a pound than she did in 1911 by selling a few thousand tons at 12s. (even allowing for their being pre-1914 shillings!)"

Violent price fluctuations are bad from human considerations, but they are also bad from an economic point of view, for they make rational investment exceedingly difficult. True, there are some benefits which flow even from instability of this kind; but on balance we can hardly doubt that it is objectionable, at least to the producer, and often to the consumer as well.

**Prices for Primary Producers* by Sir Sydney Caine. Hobart Paper No. 24. Second Edition. The Institute of Economic Affairs Ltd. 7s. 6d.

Part of the trouble with price fluctuations is that one seldom knows whether they are only temporary, or whether they represent a long-term trend. But is it possible to grant real security to primary producers whose products are always in demand but for which the demand fluctuates violently over comparatively short periods? Or does any attempt to solve this problem entail throwing the baby out with the bath-water?

Voluntary action to reduce the effect of these fluctuations is generally unexceptionable. As Sir Sydney points out, crops may be sold in advance; or the producer may hedge by operating in another market as well; or groups of producers may advise various "buffering" schemes for their mutual security — with or without encouragement from their government. In the days before inflation, there was a valuable safeguard known as private saving. Again, governments or other organisations may supply economic information to assist the producer in his calculations.

But should the state intervene — either by itself, or in co-operation with other states, to enforce some system that guarantees either prices or incomes to primary producers — whether through imposing legal obligations on the primary producers themselves, or through taxing other people and applying the revenue produced as a form of public assistance?

There are innumerable devices by which the state may attempt to control this problem. Price guarantees; subsidies; marketing boards; international commodity agreements — these and other schemes have been applied to a wide range of products in various ways, and many of them are discussed specifically by the author. But his final conclusions are vital:—

"Basically, price stabilisation is too complex a matter to be tackled by any one device. Good results are most likely if approaches are made from several sides at once and if the maximum play is given to private action. Governments can help by facilitating and complementing such private action; by removing discriminatory measures that favour particular groups of producers at the expense of others; and by themselves refraining from political action of the type that has so frequently in the past caused major upheavals."

Of course, one may criticise this scholarly, readable and pervasive work. Perhaps the author does not discuss sufficiently the claims of the consumer; certainly he does not deal with land tenure and its repercussions on production. But this does not destroy the great value of this

document. All who are concerned with the economics of primary production may read it with immense profit. It is indicative of a growing trend among professional economists to revert to the ideas of a free economy. The thinking of scholars like Sir Sydney Caine presages the actions of political leaders of the next generation just as certainly as the pernicious ideas of Laski and his associates presaged so many of the heresies of our own day.

JUST ENTERING THE TUNNEL

THE MOST COMMUNIST country in the world, Albania, is re-thinking economic planning and trying to find a way of giving the price mechanism greater scope.

Not long ago the Albanians were echoing the Chinese Communists in denouncing their Russian fellow-Communists as "revisionists" and "soft on capitalism" for the very same thing.

The Albanian Communist newspaper, *Zeri I Popullit* complains that the Communist system of production targets does more harm than good. It makes a fetish out of volume of production, irrespective of what is produced. Industry is tangled in red tape, the interests of the consumer are sacrificed.

It is a chastening thought that just as the Communists are weaning themselves off these primitive and unworkable dogmas, Britain is being obliged to submit to them.

Landless in Viet Nam

THE FOLLOWING RESOLUTION "to promote measures for a peaceful solution to the revolution in South Viet Nam," was submitted by Erick S. Hansch, Democratic Precinct Committeeman to the meeting of the Precinct Committee January 6, 1966.

"Whereas the population of Viet Nam is 80 per cent. rural, and whereas most of these people live and work on land which they do not own, and whereas the economic conditions under which they must live are extremely oppressive, and the social conditions resulting therefrom are untenable in their indignities inflicted upon the people. Be it therefore resolved that our United States Government, and in particular our Department of State, be urged to insist, and bring all its influence to bear on the Saigon Government that a decent, practical and pervasive land reform program be forthwith initiated. This, in the opinion of the petitioners, is the most effective way to end all war-like action in Viet Nam, removing the cause thereof, and to secure for the people of these United States not only a tactical but also a moral victory in South-east Asia."

In support of his resolution, Mr. Hansch quoted from two publications, one published by the U.S. Department of State, the other a publication by the United States

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Operations Mission to Viet Nam; on page 50 of the latter appeared the following:

"Traditionally, rents have been 50 per cent. of the crop for the land alone, with all labour, fertilizer, seeds, draft power, and equipment provided by the tenant or rented at extra cost. Tenants had no security of tenure (i.e., when the Diem regime came to power, and also after the attempts at land reform were abandoned in about 1959). The tenants could be removed at the landlord's will as the result of sale, whim or fancied insult.

"Twelve million people live in this new nation, nine million of them in rural areas . . . Approximately five million people live in tenanted households, three million comprise landless labourer families, and the remaining one million live in owner-operated or landlord households. Tenants often own one or two tenths of an acre, and may rent another half acre or acre."

From page 1 of the same report Mr. Hansch quoted: "When the Diem government came to power . . . about 40 per cent. of the riceland areas was held by some 2,500 individuals—0.025 per cent. of the rural population."

From "The Land Problem in the Americas" by Lester D. Mallory, in the State Department Publication No. 7112, released in December, 1960 (page 15) Mr. Hansch quoted:

"Land tenure in Taiwan (Formosa) which the Chiang Kai-shek government found on the island was such that tenants paid as much as 60 per cent. to 70 per cent. of their main crops in annual rent, and they (likewise) had to buy their own seed, fertilizer and other necessities."

From this same Department of State publication, it is stated that after an extensive land reform program carried through by Chiang in 1949 (for political rather than humanitarian reasons) 75 per cent. of Taiwan's farmers now own all or part of the land they till; the land is being improved, better seed and more modern farm implements are being used, and the farmers are taking an active interest in community affairs and government.

Rent Act Folly

WHEREVER in the past we have acquired a leasehold interest with vacant possession we have let the property short-term until we were ready to redevelop the whole site. It would be folly to do so now, since we could never be certain of getting the property back; therefore all future property so acquired must be promptly demolished. One of the prime needs of this country is the provision of houses to rent; this piece of legislation, so far from encouraging private enterprise to add to the stock of houses to rent, is actually forcing them to diminish it."

Mr. Neil Wates on the Rent Act

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