

# LAND & LIBERTY

Land reform as counter-revolution : P32

## How subsidies harm the farmer

BRITISH agriculture is in a mess. Not because farmers and their employees are incompetent. Last year their contribution to the net national product increased by 11%. The problem is a financial one, the source of which afflicts farming throughout the Western world.

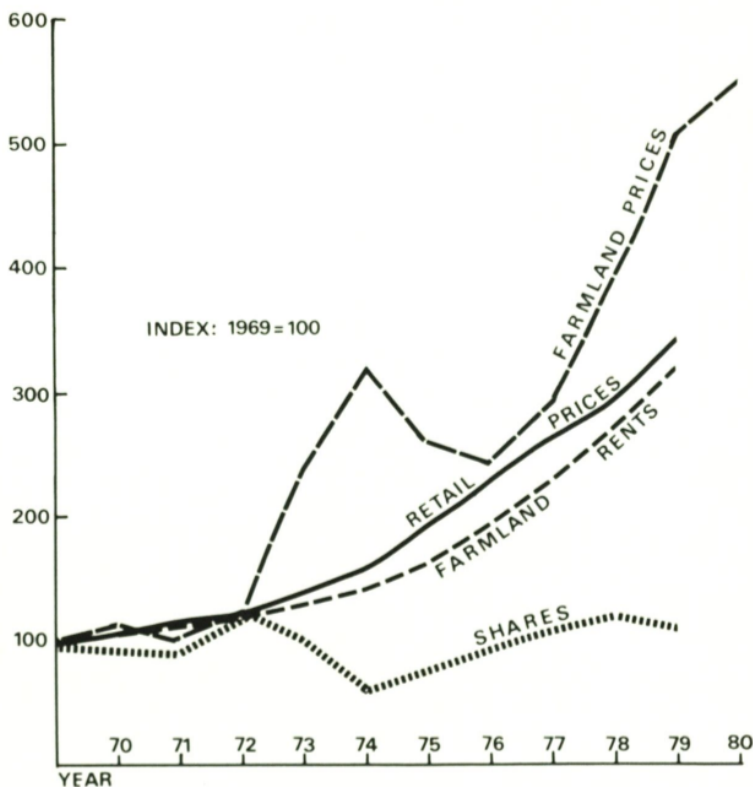
Difficulties do not arise because insufficient money is diverted into agriculture, which happens to be the most heavily subsidised – and protected – of all in the private sector. Indeed, because of the failure to confront elementary economic theory, the underlying problem would not be solved by simply paying more money to farmers.

IT IS TRUE that farmers receive a very low return on their investment: 3% p.a. This, despite the artificially inflated price of food ordained by the Common Agricultural Policy and the 15% tax on food imported into the UK. So the latest demand from the National Farmers' Union President, Richard Butler, for a price increase "as a matter of urgency" would not have the desired effect.

Why?

IT IS TRUE that farm workers are among the worst paid in Britain. A large proportion of them suffer the indignity of having to rely on state welfare handouts, without which they could not afford to buy the food that they grow to feed their families. The Ministry of Agriculture is now to enquire into the reasons for this apparent paradox. Whatever action may ultimately be taken through the statutory Wages Board (which meets annually to fix agricultural wage rates), the relative condition of farm workers will not be improved.

Why?



The central question, of course, is this: where is all the money going? The answer is to be found in David Ricardo's theory of economic rent. Money that is pumped into farming is converted into higher rents and land values. Thus it is that land – and above all, farmland – has produced the highest yields for investors in the past decade. *Out-performing* investment in other assets, and *increasing* faster than inflation and the rise in wages.

But this is cold comfort for

the working farmer. For while average farmland rents have been increasing, the net income received by farmers has been declining. Farmers in Northern Ireland, where land prices are the highest in the UK, recorded the lowest incomes.

George Inge of Savills, a British real estate agency, calculates that farm rents took 36% of net farm income between 1965 and 1975, rising to 40% until last year, when the share going to landlords rose to 61%.

● Cont. on P.22

# Land & Liberty

JOURNAL OF THE UNITED COMMITTEE FOR THE  
TAXATION OF LAND VALUES LTD.  
177 VAUXHALL BRIDGE ROAD, LONDON. S.W.1  
TELEPHONE 01 834 4266

MAR & APRIL, 1981  
Established: JUNE, 1894  
Nos. 1,040 & 1,041  
VOL. LXXXVII  
Managing Editor  
V H. BLUNDELL

ISS No. 0023-7574  
Annual Subscription:  
U.K. and Sterling Area: £4.00  
USA \$10, Canada \$11  
Editor  
F. HARRISON



## FEATURES

- SO HOW MUCH *WOULD* THE  
SINGLE TAX RAISE?  
Fred Harrison 22
- A CHICAGO LOOPHOLE!  
Henry Tideman 25
- CONSERVATIVE IDEOLOGY &  
THE DENMAN BLUNDERBUSS  
Fred Harrison 27
- LAND 'REFORM' AS A TOOL  
OF COUNTER-REVOLUTION  
Chris Baker 32
- U.S. TAX REVOLT: A  
MIXED BAG THAT  
BENEFITS SPECULATORS  
Mark Sullivan 40

## REPORTS

- LAND & LABOUR  
Colin Green 39
- DOMINICAN FARM CHIEF  
BACKS LAND VALUE TAX  
Louise R. Pulini 34
- LAND VALUES DIVE IN  
JIMMY CARTER'S TOWN 35

## REVIEWS

- FARMING: THE MULTI-  
BILLION £ RACKET  
Henry Law 30
- HAYEK, POVERTY, MORALITY  
& THE FREE MARKET  
Bert Brookes 36
- LEARNING TO USE  
TRADE UNIONS  
P.E. Poole 37
- HOW THATCHER & BENN  
STAKE OUT THE  
LIBERAL GROUND  
A.J. Carter 38
- AN ELEGANT TAX  
Peter Hudson 39

## AGRICULTURE & THE LAND TAX

IMPORTANT articles on Western agriculture and the fiscal system that have appeared in past issues of *Land & Liberty* include —

FARMERS, AVARICE & THE £500m. HANDOUT: Vic Blundell, Nov-Dec. 1980;  
WHY FARMERS SHOULD BACK THE LAND TAX: Geoffrey Lee, July-Aug. 1979;  
THE PARADOX OF PROPERTY: Richard Crotty, July-Aug. 1979;  
THIS INFLATED ISLE, Alisdair MacGregor, Jan.-Feb. 1974;  
WHY OUR FOOD IS DEAR AND WILL GET DEARER, Christopher Frere-Smith, Sept.-Oct. 1973;  
FARMING MORASS IN THE E.E.C., J. R. Pickering, May-June 1973;  
LAND AND CAPITAL IN AGRICULTURE, Paul Knight, Nov.-Dec. 1970;  
PROTECTING THE FARMER, John L. Marshall, May-June 1970.

Back numbers may be obtained from 177 Vauxhall Bridge Road, London, SW1, price 80p each (postage free).

### LAND & LIBERTY

● Cont. from P.21

The distribution of income in agriculture is clearly unsatisfactory. Tenants are the worst hit: but farmers who own the land that they occupy do not enjoy immediate benefits from high land values, which will in the main accrue to their heirs. *Land & Liberty* has in the past demonstrated that a reform of the fiscal system, incorporating land value taxation, is in the wisest interests of agriculture. Farm leaders perform a disservice when they restrict their proposals to demands for ever-more subsidies from the taxpaying consumers, subsidies that positively harm the people who devote their lives to producing food for the rest of us.

ONE HUNDRED years ago, Henry George published the most thorough elaboration of the moral philosophy in support of the claim that the rental value of natural resources belonged to society.

He believed that this revenue would be sufficient to meet the legitimate needs of public expenditure; therefore, it was possible to eliminate altogether the tax burden on wages and capital, which were an infringement of the individual's property rights and a restraint on the growth of wealth.<sup>1</sup>

Thus was developed the Single Tax, an idea originally formulated by the French physiocrats.

In the past 75 years, most people who have promoted the virtues of an annual tax on economic rent have not emphasised the Single Tax notion.

But during the past two years there has been an exciting revival of fundamentalist thinking in Australia, where discussions among leading supporters of Henry George are likely to produce some valuable insights into the original theories.

By a stroke of good fortune, it is to Australia that we must look for the best empirical data with which to test the hypotheses. This article can do no more than open up the debate among a wider audience, and pose some key questions.

HOW MUCH revenue would be raised under a Single Tax regime?

National income statistics are seriously defective; they fail to record the total annual rental income of a modern industrial economy.

This has suited the purposes of those who wish to preserve the present distribution of property rights. They have attempted to discredit the Single Tax by arguing that it would not meet all the spending needs of modern societies.<sup>2</sup> This argument is defective for a number of reasons.

● The constructive influences of land value taxation on the industrial economy are sufficient in themselves to commend the fiscal policy. No matter how much (or little) the tax would raise for the exchequer, the dynamic impact—through, for example, neutralising the destructive power of speculation—would justify a 100% *ad valorem* tax on the value of land.

● Critics conveniently ignore the question of the justifiable limits of public expenditure. Henry George did not advocate land value taxation for the benefit of profligate rulers. The case for tapping the value of nature's resources for the benefit of the com-