

## LAND & LIBERTY

PUBLISHED BY THE UNITED COMMITTEE FOR  
THE TAXATION OF LAND VALUES, LTD.  
Forty-sixth Year. Established June, 1894.

By Post 2s. 6d. per annum.

Editor: A. W. Madsen

Assistant Editor: F. C. R. Douglas

34 KNIGHTRIDER STREET, LONDON, E.C.4

Telegrams: "Eulav, Cent., London." Telephone: City 6701.

Postage on this issue is One Halfpenny.

JULY, 1939.

### MORE DOLES FOR AGRICULTURE

UNDER THE title of the Agricultural Development Bill, the Government's latest proposals for subsidising agriculture were introduced in the House of Commons on 15th June. The products to which it applies are oats, barley and sheep. In each case it is proposed that a payment shall be made to the farmers so long as the price of the article in the home market is below a certain standard price. In the case of oats and barley the total amount payable, while varying with price from year to year, will be limited by reference to a maximum acreage. If that acreage is reached the total payment will not be increased, but will be divided according to acres among the total area cultivated. In the case of sheep the subsidy per pound of dressed carcase weight will diminish according to a sliding scale if the sheep population exceeds a certain figure.

The Bill also provides for a subsidy of £1 per half acre for the ploughing up during 1939 of land now under grass. This, unlike the other provisions, is of a temporary character and the payments do not extend beyond the present year, although the benefits of the improvement may endure for a number of years and this bears upon whether the ultimate beneficiary will be the farmer or the landowner.

The object of the Government's policy, as explained by the Minister of Agriculture (Sir Reginald Dorman-Smith) is to create a prosperous agriculture. This, he said, involved (1) that the farmer should receive a fair remuneration for the produce which he sells, (2) such fair remuneration as will enable the farm worker to receive wages and enjoy living and working conditions as favourable as those enjoyed by similar workers in urban industries, and (3) that the land should be properly used, should be used to produce the maximum quantity of food without detriment to the health and fertility of the soil.

As to the farm labourer, there is nothing in the Bill to confer any direct benefit upon him. If he does gain anything it must be as a result of being able to make a better bargain with the farmer. The most important factor here is whether there will be any increased demand for farm labour, and in spite of the subsidies which have so lavishly been poured out of the taxpayers' and consumers' pockets in recent years there has been no enlargement of agricultural employment. It may also be observed that no effort has been made to enable the worker to become an independent producer, to give him a chance of obtaining a small holding on reasonable terms where he would be independent of a master.

The Minister said "that the prosperity of the agricultural industry is just as much the concern of those engaged in urban industries, in trade and commerce, as it is the concern of the farmer himself, and that when farming is in a state of depression it reacts adversely on the economic life of the nation as a whole." This

statement is in a sense true, and it is also true that depression in urban industries reacts on agriculture. But it is certainly not true to assert that to procure the "prosperity of agriculture" by means of doles taken out of the pockets of other industries will be of any benefit to those industries, for they will lose at least as much as they will gain. This is as false as it would be to assert that doles to urban industries taken out of the pockets of agricultural producers would be of benefit to agriculture.

There runs through all arguments of this kind the ancient fallacy of "things seen and things not seen." What is seen is a concentrated stream of subsidies poured out to agriculture. What is not seen is this same amount of money being taken out of the pockets of millions of consumers by means of increase of prices of the articles which they purchase. If the argument were sound then depression in every industry could be cured by subsidizing it, and we could all be happy and prosperous by the simple process of taking in one another's washing.

The prime object of all the tariffs, quotas, marketing schemes, subsidies, and other devices which have been applied to agriculture has been to increase the price which the farmer receives for the products affected. If that increase in price arose from improvement in the economic condition of consumers enabling them to spend more upon agricultural products and increasing their demand for these, nothing need be said about it. But such is not the case. Where the increase in price arises from restricting the quantity which consumers may obtain, they are obliged to compete more keenly for the supply available and the increase of price shuts out in whole or in part the poorer consumers. Hence it is the poorest consumers who suffer most by this policy. Where the increased price or subsidy received by the farmer comes out of taxation, a forced levy is made upon consumers reducing to that extent their purchasing power.

The Minister said with great truth: "For many years we have enjoyed an abundance of cheap food brought to this country from all the ends of the earth, and there is no question that that has been an important factor in the development of our great industrial and commercial system and undoubtedly also it has been a means of improving the standard of living of our people." In defence of a change of policy, he said: "To my mind, there is all the difference in the world between satisfying the needs of our people and flooding the market with unregulated supplies which in fact overstrain its absorptive capacity and inevitably bring about a collapse of prices."

Who is to determine what the needs of the people are and how they are to be satisfied? Under a free system they do this for themselves by deciding how much money they will spend upon each article at the price at which it is obtainable. The lower the price is, the more can any individual satisfy his wants. The government, in effect, says that it will stop this. It will endeavour to prevent the price from falling. It will deprive the population of the satisfaction of some of its needs.

Such a policy is a negation of the whole idea of economic progress. The constant effort of mankind is to devise new and more efficient methods of production which will enable a greater degree of satisfaction to be obtained by reducing cost. One of the principal means of attaining this greater efficiency is by specialization and division of labour, by concentrating on the production of those things for which the individual and the locality are best adapted and obtaining others by way of exchange. It is this beneficent process that the Government is attempting to impede and hinder.

It is evident that no advantage will accrue to the non-agricultural population. They will have to find the increased prices and subsidies that will go to agriculture. It is sheer nonsense to suggest that increased demand by agriculturalists for non-agricultural products can compensate the rest of the community.

Nor is there any reason to believe that agricultural producers will obtain any permanent benefit. A large part of the advantage will go to non-producers, the agricultural landlords, in the shape of increased rents or by preventing a fall of rents which otherwise would occur. The Minister described his policy as one of

"price assurance." It is indeed a policy of price assurance for the agricultural landlords. The farmers hope that increased prices and increased profits from the sale of their products will remain in their pockets. The lessons of history and of universal experience are forgotten. If their profits increase, there will be more competition for land and the rent and price of land will rise. For the urban producer there is in this policy immediate and permanent loss and detriment, for the farm labourer there is no advantage, for the farmer at most a transient benefit, for the agricultural landowner the permanent advantage.

## ARCHITECTS AND COST OF LAND

MR PHILIP H. MASSEY, B.Sc. (ECON.), F.R.ECON.S., gave the book *Why Rents and Rates are High* (Madsen, 1s.) an extensive review in the *Architects' Journal*, 27th April, and quoted liberally from its pages. What Mr Massey himself had to say upon the matter under discussion is important. There cannot be many in the building profession who will not endorse his opinion, if they are genuine builders rather than mere land speculators :

"Architects and planners have the problem of land costs brought before them in every aspect of their work. All too often the location and layout of a housing estate, a bridge, a town hall, a whole community, is determined not by the physical characteristics of alternative sites and the needs of the community, but by the relative costs of possible sites. Not infrequently, schemes have to be abandoned owing to the impossibility of obtaining any suitable site at a price which the promoters (whether a company, a local authority, or a private individual) are prepared to pay.

"The natural tendency of the technician who is frustrated in his desire to assist in any scheme for the building of houses or other works, by the difficulty or cost of obtaining the necessary land, is to condemn the landowner whose demands stand in his way. In Mr Madsen's view, the rating laws, not the landowners who take advantage of them, should be condemned. . . .

"It will be well to summarize very briefly some essential points in the existing rating system, and some of its effects.

"Local rates are based upon the rateable values of real property, and are levied upon the occupier (except in certain cases which need not concern us here). *It follows that if there is no occupier then no rates are payable.* [Legal possession does not of itself constitute an occupation. The owner of a vacant house is in possession, and may maintain trespass against anyone who invades it, but so long as he leaves it vacant he is not rateable for it as an occupier. (R. v. St. Pancras, 1877.)]

"Net annual value is defined as :

"The rent at which the hereditament might reasonably be expected to let from year to year if the tenant undertook to pay all usual tenant's rates and taxes and tithe rent-charge, if any, and to bear the cost of the repairs and insurance and the other expenses, if any, necessary to maintain the hereditament in a state to command that rent.

"*It follows that an occupier who improves the buildings on his site has his rates increased, and an occupier who lets his buildings fall into bad repair has his rates reduced, while, as already noted, a landowner who makes no use at all of his site pays no rates for it.*

"*Agricultural land and agricultural buildings are entirely exempt from rates.*

"*In the case of 'industrial and freight transport hereditaments,' the rateable value is one-quarter of the net annual value. (For shops and offices, as well as houses, the rateable value is the whole net annual value.)*

"The case against the present rating system, and in favour of the taxation and rating of land values, is based upon the view of land value as a community value. . . .

"Special attention is paid to three of the outstanding effects of the present rating system :

"1. That vacant land being held for a rise in capital value is exempt from local taxation, although it may later be sold for thousands of pounds per acre ;

"2. That when land is bought by a public authority for development such as housing or bridges, the value of neighbouring land is immediately increased, so that when a further piece of land is required a still higher price has to be paid ;

"3. That there is often a very wide difference between the capitalized rateable value of a piece of land and the price for which it is sold. (Note : This arises partly from the total derating of agricultural land and buildings and the exemption of vacant properties, and partly from the fact that the sale of land is often the preliminary to its being put to a new use.)"

Concluding his review, in which he quoted a number of examples from the book, Mr Massey said :

"This, then, is Mr Madsen's solution. Taxation on production and exchange should be repealed, houses and other buildings and improvements should be relieved from local rates, and public revenue should be derived from taxation on the value of land.

"In support of this thesis he gives us :

- (1) The examples from which a selection has been taken above ;
- (2) An extremely interesting account of land value taxation in practice in other countries ;
- (3) A list of 222 Local Authorities which since 1919 have passed resolutions calling for the Rating of Land Values.

"A final section gives "Both Sides of the Argument," with comments by the author. Here the economic case is argued.

"The appearance of this book is very welcome, particularly in view of the efforts of the London County Council to obtain powers for the rating of site values in London. It is worthy of close study by all those who are concerned with land costs. Directly or indirectly, that means every one of us. Whether we are converted to Mr Madsen's beliefs or not, the evidence which he presents is of the greatest value, for the questions of land costs and of taxation lie at the roots of all projects of social improvement."

---

"Why Rents and Rates Are High"

By A. W. Madsen, B.Sc.

Paper Covers, 1s.

Cloth Bound, 2s.