

Farming: the multi -

BY HENRY LAW

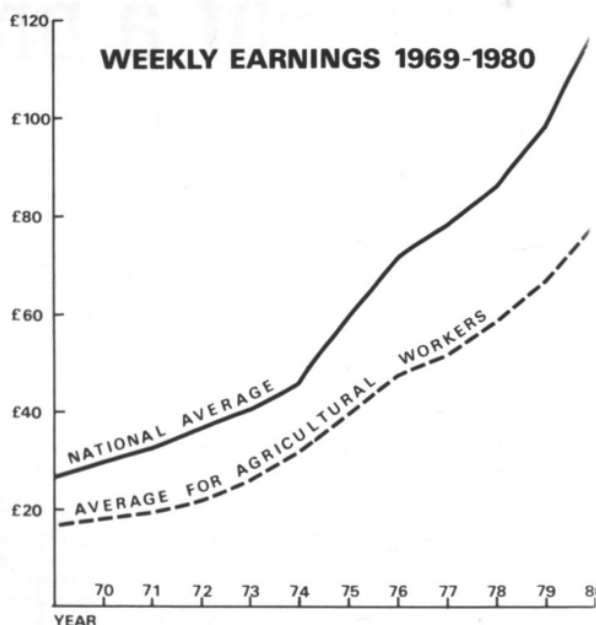
ARE BRITAIN'S farmers turning the familiar English landscape of trees, hedgerows and small fields into a bleak expanse of prairie broken only by regimented conifer plantations? *The Theft of the Countryside* by Marion Shoard suggests that this is happening very quickly, largely due to the conflicting policies pursued by government departments; the Ministry of Agriculture subsidises the damage with generous grants, whilst the Nature Conservancy and the Countryside Commission attempt to safeguard conservation and amenity interests.

Miss Shoard has unfortunately spoil her case through exaggeration. Modern methods of agriculture are not generally having the effect she claims, and the countryside is threatened in many other ways; nevertheless, she has certainly identified a trend. Perhaps the most valuable part of the book is the information gathered about the extent to which public funds are poured into agriculture, amply justifying Sir Keith Joseph's description of farmers as "pensioners of the state".

Miss Shoard hints at the need to dismantle the structure of subsidies but suggests that what is really needed is more planning control; this is to underestimate the power of economic forces. It is like giving a sick person medicine to counteract the effects of a "treatment".

THE MAIN effect of channelling public funds into agriculture is to inflate the value of farmland. Guaranteed markets with prices fixed at artificially high levels lead to high rents, in accordance with Ricardo's maxim that "rent is high because corn is high". The higher rental levels, together with the value of the various improvement grants, are capitalised into the price of agricultural land.

The mere availability of grants is sufficient to increase the value of farmland in anticipation of the benefits the improvements would bring. Consequently, when a new entrant to a farm claims his grants, he is merely recouping money already paid out, added into the purchase price. The new owner of a farm is under much the same kind of



pressure as a house purchaser at the start of a mortgage; in the first years, the return on capital is low, and the farmer is virtually obliged to recover whatever he can in the way of grants and maximise production by bringing all possible land into use.

It is often at this stage that the damage described by Miss Shoard takes place. The most important habitats for wildlife are on marginal land, and were it not for the grants and subsidies, it would be uneconomic to bring it into use. Thus the problem is largely due to abnormal circumstances created by government policy. Before setting up yet more bureaucratic planning controls, surely the obvious remedies should be applied first?

HOW AGRICULTURE IS FAVOURED

● DIRECT public expenditure: £729.2 million.¹ This is comprised as follows: price guarantees (sheep and

Denman: cont. from P.29

But many speculators buy land without planning permission, well in advance of the development stage; they do not bother to seek planning permission for years. They are content to sit on the land for anything up to 15 years with the determination to eventually cash-in on the rising value of land.

Dr. Denman's safeguard against this will not do. He says that "The price paid would be of cardinal importance; if it were more or less in step with the prices prevailing at the time for farm land, it should be taken as *prima facie* evidence that the purchase was not a transaction in land for development."

Speculators buy land at agricultural values every day—and their intention is that, one day, they will develop or re-sell at a fat profit. So the price paid (and to which land price index would Dr. Denman refer us for resolution of any argument as to the ruling price of land?) offers no certain means of settling the matter.

What appears to be the final safeguard for the tax is this:

"A farmer who bought a farm with a genuine intention of farming it and subsequently sought planning permission to develop the whole or part of it would have to satisfy the planning authorities that at the time of purchase he had no intention of using the land for development."

But who is to say what a buyer's intentions were? Can you read a

man's mind? Dr. Denman is well aware that people buy land for a mixture of motives. He was once reported as declaring:

"Farm land is not devoted solely to farming—it is bought for other reasons. Wealthy men buy farms to live. They run the properties as farms, but subordinate to a mixed motive of residential farming."

Quite. Then what is to stop a speculator buying a 100-acre farm near a growing town, living in the well-appointed farmhouse for five years, then developing the land while escaping the tax liability?

TO POLICE this tax, then, it would be necessary to tolerate

billion £ racket

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Farmland rents ¹	100	107	113	119	126	137	158	191	228	270	315	
Farmland prices ²	100	106	100	118	232	314	258	239	288	386	505	549
Share prices ³	100		92	120	104	60	74	88	108	118	111	
Retail price index ⁴	100		116	125	136	158	196	228	265	292	339	
Agricultural earnings ⁵	16.6	17.95	19.70	22.19	25.52	30.58	38.80	47.35	52.52	58.26	66.45	78.95
National average earnings ⁶	26.65	29.37	32.63	35.83	40.84	45.61	59.08	70.69	77.92	86.37	98.82	119.52

SOURCES

1. Ministry of Agriculture, Fisheries and Food (MAFF). Figures are for England and Wales.
2. MAFF. Figures are for England and Wales. 1969 value is for land with and without vacant possession; since 1970, with and without vacant possession have been recorded separately and figures are for vacant possession.
3. FT Index.
4. Retail Price Index.
5. MAFF. Average weekly earnings, in pounds sterling, including payments-in-kind are for all hired men, i.e. foremen, dairywomen, tractor drivers, horticultural workers and general farm workers. Hours worked fell from 49.3 in 1969 to 47.5 in 1980.
6. National average earnings for all British workers.

potatoes): £12.4 million; Production grants and subsidies: £29.9 million (mainly "Guidance Premiums" and the "Milk Non-Marketing Premiums" i.e. paying farmers not to produce milk); support for capital and other improvements: £170.8 m; support for agriculture in special areas (uplands): £110.0 m; Market regulation under the Common Agricultural Policy: £406.1 m. These figures do not include expenditure on animal disease and pest control, or on research, advice and education; a large part of these costs would be covered by the following items.

- ADMINISTRATION of the Ministry of Agriculture: £94 m.²
- RESEARCH sponsored by the Ministry of Agriculture: £44 m.³
- EXEMPTION from rates, the local property tax: £150 m. This is an estimate made by Miss Shoard, made by projecting a calculation made by the Layfield Committee in 1976, which gave the cost at £120 m a year.
- CAPITAL transfer tax relief: £20 m⁴. Land up to 1,000 acres entitles working farmers to the agricultural

Marion Shoard, *The Theft of the Countryside*, is published by Maurice Temple Smith, London, £4.95, pp. 269.

ON AVERAGE, farmworkers pay proportionately twice as much tax as farmers, although they receive less in state benefits, according to the London-based Low Pay Unit in *Poor Harvest, Farmworkers and the Common Market*, Low Pay Report, No. 3.

relief of 50%, with the 50% business relief taking over above 1,000 acres. Ownership may be split with a spouse, in which case the upper limit of land increases to 2,000 acres, and the tax liability may be further reduced by other tax planning measures, such as lease-back arrangements within the family.⁵

- HIGHER prices paid to producers due to the CAP: £1,558 m.⁶ Under the CAP consumers lose through having to pay the difference between world prices and the artificially high fixed price guaranteed to producers. The estimated cost for 1980 was £2,813 m. There is a gain to British producers, calculated as the domestic production multiplied by the difference between domestic and world prices, that is £1,558 m out of the £2,813 m.

SOURCES

1. *Annual Review of Agriculture 1980*, forecasts for 1979/80.
2. *Supply Estimates 1979-1980*, HMSO 1979.
3. *Ibid.*
4. Board of Inland Revenue, *Inland Revenue Statistics 1979*, HMSO.
5. A. Sutherland, in *Fiscal Studies*, March 1980.
6. C. N. Morris, in *Fiscal Studies*, March 1980.

"all the uncertainty, administrative expenditure and unnecessary employment of scarce professional skills" which he says would actually be avoided!

It seems to me to fail on all counts. But does that mean that Dr. Denman should not preach the principles of land taxation? Obviously not; what is required is a reappraisal of his fiscal philosophy.

The solution—one known to him, and sceptically dismissed as unacceptable—is a tax on the *ad valorem* value of all land. The tax would be as certain as anything could be. It would be fair as between landowners, and as between owners and the landless. And it would

stimulate such development as the community required, for the owner would be liable to pay the tax on the market-determined value of his holdings even if he wanted to resist those pressures.

This tax was most fully elaborated by a 19th century American economist, Henry George. The name trips of Dr. Denman's lips with a condescending smile. In my view, he would do well to re-read *Progress & Poverty*, George's seminal book.

For although Dr. Denman may have retired from teaching university students, he still has many years ahead of him of instructing governments and the civil servants... and it would be as well if he got it right.

Surrey land deal

LORD LYTTON angrily denies that he is a land speculator. When he bought a disused airfield from the Government he paid the agricultural value of the land—£307,000.

But plans for a commercial airport on the site leaked to the Press. Lord Lytton now says that he does not intend to profit from the deal. He wrote in a letter:

"I am not one of those who buys at agricultural value and sells at development value. No cash has gone into my pocket. If the company prospers and the shares prosper my children may benefit—I shall not."

Lord Lytton is aged 80. With planning permission for a commercial airport, the 270-acre site would be worth between £10m and £15m.