Labour MPs attack farmer Walker's 11% tax on food imports

BY P.E. POOLE

PRIME MINISTER Margaret Thatcher has told Britain's wage earners that they will have to accept a lower living standard as part of the Government's strategy for reducing inflation, which is Priority No. 1.

But farmers are not being asked to share in the misery. And their champion is Worcester farmer Peter Walker, the Minister of Agriculture.

Britain, having abandoned her traditional policy of importing food from the cheapest producers in favour of the EEC's Common Agricultural Policy, has embarked on a revival of the old Corn Law strategy.

A new tax on imported food is the end-result of a nightmare tangle of bureaucratic calculations and adjustments. It works like this.

The level of farm price support in the Common market is calculated on the EEC agricultural unit of account. The gap between the artificial rate of exchange (the "green pound") which is used to convert sterling into units of account, and the real (and rising) value of sterling, now entitles Britain to what are called positive monetary compensatory amounts (MCAs).

The MCA is designed to offset the strengthening pound by putting a charge on British food imports (the tax, which at the end of November stood at 11.8%) and subsidising British food exports.

FARMERS do not receive more money directly because of MCAs, but they can buy cheaper imported fuel, fertiliser or machinery.

At the same time, the consumer is deprived of a reduction in food prices which should logically follow from the rising value of the pound.

Just how far the price of food would drop, if Mr Walker could resist the agricultural lobby, is a matter of controversy.

In Brussels, experts calculate that food taxes are preventing a 5% reduction in the price of food in the shops.

In London, Mr Walker told the House of Commons that the drop in the Retail Price Index would be about 0.3%.

A revaluation of the green pound would reduce the price of butter by 10p in the £.

LABOUR MPs have found the Tory agricultural strategy hard to swallow.

With rising unemployment, inflation at 19% and a grim outlook for 1981, they find it hard to accept that farmers should receive special treatment – especially as the high value of sterling is rendering industry increasingly uncompetitive in the world markets. This is undermining jobs in the manufacturing centres of Britain.

Only agricultural is given protection against the rise in the value of sterling!

Another astonishing contradiction in the food-tax policy is that it increases Britain's payments to the EEC budget. All the proceeds of the levy on most of the 30% of British food that is imported are passed to Brussels.

Yet it was on this issue, of the size of Britain's contribution to European finances, that Mrs Thatcher fought her way to the brink of destroying the Common Market itself!

● BRITAIN's consumers paid £2,250m more for food in 1980 because of the Common Market's high-price agricultural policy, the Commons Public Accounts Committee has been told by Sir Brian Hayes, permanent secretary at the Ministry of Agriculture.

This calculation is a minimum figure. It was made on the assumption that if Britain started buying freely on world markets, she would pay high prices to traditional trading partners like New Zealand.

● Europe's farmers are demanding a 15% increase in food prices this year. Meanwhile, in Britain, farm workers had a 10.3% wage increase imposed upon them. This was lower than the original offer of 11.2% made during the last round of Agricultural Wages Board talks!

Cosy Murphy and The Big Sleep

IN one of Henry George's books he tells of "Cosy Murphy", the man who after buying a plot of land went to bed and stayed there leaving his relatives to care for him.

Years later he got up and found that he was a millionaire – the land having increased in value from next to nothing to a huge figure simply by the development around it.

We can update this story.

A Spanish republican family who fled Franco's armies to live in exile for the past forty years, have returned to Spain to claim the land they left behind in Madrid (reported the *Financial Weekly* on 13 June, 1980).

They left five acres of olive trees close to the city centre. They returned to find that their "unpretentious plot is now in the heart of one of Madrid's most fashionable residential areas", and worth £5 million. During the family's absence the abandoned land "has been lying idle while a luxury residential area has grown up around it".

A great deal of blood has been spilled over those acres, but as in most wars, civil or otherwise, when peace comes, private ownership of land is reasserted.

One can hardly blame the family for rejoicing in their "luck" or for reasserting their "rights" – but what an object lesson in the functioning of modern man's land tenure system! If the land had been taxed every year during the forty years at its market value and the accumulated debt subject to compound interest, there would be little left to collect as unearned increment.

Vic Blundell