

The case for laissez-faire

TORY MP Richard Body's onslaught on British and European agricultural policies in *Agriculture: The Triumph and the Shame*¹ would have met general approval had it not advocated free trade as the best alternative policy.

Body believes that the lower farm prices resulting from world competition would so restructure agriculture as to produce "more and smaller farms, and more farmers and farm workers".

His critics, however, point out that enhanced competition and reduced financial support "would inevitably lead to a reduction in the size of British agricultural output in total, and in the value of that output in terms of farmers' gross receipts".

● This statement comes from a paper presented at the Royal Society by Professor of Agricultural Economics, Denis Britton. He was one of five "eminent independent experts" invited "to mount an objective response to Richard Body's ... polemic".²

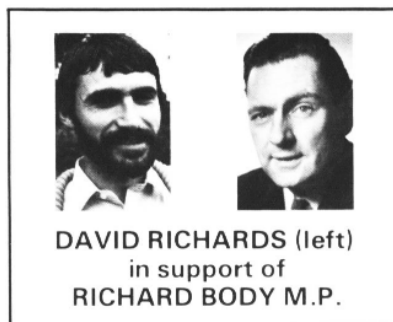
"How Mr. Body can envisage that this situation could provide a satisfactory livelihood to a larger number of farmers than before, I cannot comprehend", he declared.

● Professor Gerald Wibberley (Countryside Planning) supported him on this: "How on earth do we get back to small grassland livestock farms on poor land in such a way that farmers earn enough income from them"?

● Another Professor of Agricultural Economics, David Colman, summed up: "The one notable weakness of his free-trade thesis relates to his failure to spell out adequately the costs the farming sector would face from moving to such a policy".

● This reaction is widespread. The costs have been quantified at Newcastle University's Department of Agricultural Economics where a model of the European agricultural market has been constructed.

Dr. D. R. Harvey and K. J. Thomson wrote: The free trade option would mean an income loss per farm of around £13,000 in the U.K., against consumer/taxpayer gains of £250 per household. Clearly compensation payments to producers would be required to make such a



change acceptable within the Community.³

● Even J. K. Bowers and Paul Cheshire, university economists whose recent *Agriculture, the Countryside and Land Use*⁴ strengthens Body's case in almost every respect, differ from him on this point: less support for agriculture would "have implied a lower output, fewer farmers and probably less agricultural wealth".

● To Vernon Richards, however, the implications are much more sinister: whilst praising China's refusal of high cost and capital intensive methods of "production for profit ... Richard Body, as the supreme advocate of 'free trade' in a capitalist system, is in favour of 'a free for all', which is even worse than what we now have"⁵

BODY HIMSELF contends that agriculture has been enlarged "to about twice the size it would otherwise be at the expense of every other industry".

How, then, can he sustain his claim that free trade would revive the farming sector?

The answer lies in distinguishing between the agricultural industry and "the workaday business of farming".⁶ Most farmers, as such, are not the recipients of "farm subsidies".

Body, Bowers and Cheshire provide identical lists of the beneficiaries of the farm support programme:

● The beneficiaries of this policy have been the farmers⁷ and especially landowners – particularly large farmers and arable farmers – and the management and shareholders of the agricultural supply industries.

● Increasingly, also, institutions and companies have emerged as

landlords to reap the benefits of higher land values, thereby diverting valuable capital into useless land holding. They have benefitted at the public expense, since the reason for high land values has been the high lever of agricultural support ... policy has quite literally made millionaires from the public purse.⁸

These facts are common ground for all participants in the debate. Thus, Prof. Colman writes: "There are well-understood reasons, many of them given by Richard Body, as to why much of the farmer's benefit from higher prices is passed to input suppliers or into the value of land, rather than being retained as net income".

Dr. Harvey and K. Thomson must therefore ask themselves whether the income loss of £13,000 would really be borne by the average farmer, or whether it would be spread out amongst landowners, large companies and financial institutions?

If the latter, would they be prepared to spell out the case for compensating them?

Body, Bowers and Cheshire, however, do their cause no good by being inconsistent in their application of the argument.

As far as the farmer is concerned, Bowers and Cheshire keep the financial implications in parenthesis. "Higher guaranteed prices, and lower costs, led to higher profits and incomes for farmers. Or would have done except that they were largely capitalised into land prices". They fail to draw the conclusion that the farmer, as farmer, has little to lose from their withdrawal.

Body provides tables comparing the level of support with net farm income, and claims that from 1953 until we entered the EEC, 45% to 80% of the farmer's income came out of the pocket of the taxpayer; now it is over 100%.

This is a gross injustice to farmers for it is his whole thesis that the real effect of agricultural policy has been to force changes in the structure of farming for the benefit of non-farmers.

This is, indeed, the central strand of both analyses. "By subsidising output prices, farming became more profit-

● Turn to p.77

THE CASE was still proceeding at the time of Rupert Mason's death in 1959 and might then have disappeared under a cloud of legal dust – but for his wife Eugenie. A bondholder herself, she decided to fight on and, moreover, to call in the State Attorney-General when, after a further frustrating 16 years, the negotiations with the El-Caminho authorities broke down.

Mrs. Manson's *cri-de-coeur* to the Californian Attorney-General proved a master-stroke. The State lawyers filed suit in September 1976 and, before the year's end, had obtained a judgment from the Tehama County Superior Court ordering the irrigation district to pay their debts to the bondholders.

Such, however, is the snailpace of U.S. legal processes that it was not until 1982 that the inevitable appeal was heard.

The appeal court upheld the judgment and ruled that the El Caminho Irrigation District should proceed to assess the land values in its area in order to pay off the sum – estimated at over \$2.4m – which it owed to the holders of its unpaid bonds.² This ruling was finally confirmed by the California Supreme Court in March 1983.¹

With the Supreme Court's decision, after eight separate lawsuits since 1938, the Masons' long struggle has been crowned with success. A special accountant is now being appointed by Tehama County to supervise the assessments in the El Caminho District.

For Eugenie Mason, the result is a complete vindication of the dogged stand taken by her husband and then by herself over that almost interminable forty years.

She told *Land & Liberty*: "To me, it has been a truly historic saga and the most important decision of the Californian courts. It sets a vital precedent in land tenure and shows that landowners are not above the State law."

Certainly, throughout California today, there will be many holders of local government securities, as well as small farmers and home-owners, who would gladly drink a toast to the State's land-value irrigation law – coupled, of course, with the names of Rupert and Eugenie Mason.

REFERENCES

1. *Red Bluff Daily News*, 30 June, 1983.
2. *Sacramento Bee*, 28 October, 1982. (The *Sacramento Bee* is the newspaper on which Henry George worked at the time of writing *Progress and Poverty* in the 1870s. He was given much support at the time by James McClatchy, the newspaper's founder.)

● LAISSEZ-FAIRE From p.69

able so land prices rose and intensification became necessary for survival", write Bowers and Cheshire. "Up corn and down horn" has been "the traditional reponse of British agriculture to prosperity".

Land economically suited to low cost, labour intensive livestock production has been claimed for high cost, capital intensive arable purely because non-cost-effective investment has been foisted upon the taxpayer and the consumer.

Likewise, the outer margin of agriculture has trampled over much wild scenery.

The Common Agricultural Policy has added its own brand of influence. The import levy system requires that livestock farmers buy by far their largest input, feedstuffs, at European rather than cheaper world prices. The benefit of price support is thus partially cancelled and relative to cereal growers, for whom they are a new, captive market, they are rendered far less competitive land users.

Pig, poultry and egg producers do not even have the benefit of price support – only access to subsidised capital. They have been forced into "factory farming", cutting costs ruthlessly by specialising and spreading overheads.

OFFICIAL statistics demonstrate the changing fortunes of the farmer and his suppliers.

The Annual Review of Agriculture shows that while the real value of gross output rose slightly between 1972 and 1980, the farmer's share of it (net income) declined by half. Only cutbacks in farm expenditure have allowed some of the slippage to be clawed back since.

The farm workforce as a whole has suffered a more long-term decline. Whilst real gross output held its own between 1962 and 1982, the farmer's and labourer's share of it fell from 42% to 32%. Depreciation of capital equipment, interest on borrowings, and inputs other than feedstuffs (such as machinery, fertilisers and farm maintenance) claimed 35% in 1962, but 45% in 1982.

Between 1970 and 1982 the real value of farmland and buildings rose by 65%.

Why, in view of these facts, are agricultural economists so convinced of the importance of government intervention for the farm workforce (as distinct from landowners and supply industries)?

Prof. Britton explains them away as part of the universal process of capital/labour substitution. "It certainly cannot be concluded that the trend is reversible ... low cereal prices will not induce cereal growers to abandon the combine-harvester and go back to the employment of large gangs of hired labourers using scythes". Rather, "farmers would be looking even more anxiously for ways of cutting their costs per unit of output", which means further intensification.

Like Vernon Richards, he is striking at thin air. Body does not deny that the relative importance of farm labour in developing economies must decline in the long run. He merely asserts that the mix of farm labour and agricultural capital has been deliberately altered by government policy.

As for falling cereal prices, Body argues that the effect would be to expand the more labour intensive livestock sector and reduce the arable sector, and not to cause arable to become more labour intensive.

Britton also misses the point when he looks at the possible effect of free trade on the finances of a small, present-day dairy farm. It is the effect on the relationship of the two major farm sectors that matters. Like Prof. Wibberley, he is noticing the possible contraction of dairying at its external margin, but overlooking its expansion on the land most suited to it, which has been pre-empted today by cereals.

That the arable/livestock ratio would fall remains unchallenged. The implications for the size of the farm population are obvious, unless the real gross output of agriculture were to plunge drastically.

The experience of two world wars suggests that this would not be the case. The value of output hardly changed despite massive government support. All the extra resources went into growing the cereals no longer cheaply available from abroad.

The opponents of *laissez-faire* had better swallow their incredulity.

REFERENCES

1. Temple Smith, 1982. See *Land and Liberty*, May/June 1983.
2. *Agriculture: The Triumph and the Shame – An Independent Assessment*, June 1983, Centre for European Agricultural Studies and the Centre for Agricultural Strategy.
3. *Financial Times*, 20 December, 1983.
4. Methuen University Paperbacks, 1983.
5. 'China Comparison' *New Society*, 6 January, 1983.
6. Bowers and Cheshire, p.79.
7. "The arable farmers ... who [now] have land that is not fitted for cereal crops ..." (Body, p.123).
8. Bowers and Cheshire, p.134.