

## SIR DANIEL HALL ON THE FARMER AND HIS FUTURE

AGRICULTURE, ALTHOUGH almost the oldest, is still the most important of man's activities. In the world as a whole it employs more people than any other industry, and perhaps more than all others put together. It supplies all food-stuffs, except fish, and it supplies a very large part of the raw materials of manufacturing industry, especially for textiles. Moreover it affords a way of life to which the constitution of man is adapted and which has a favourable effect upon mind and body.

The future of agriculture is, therefore, a concern of all of us. It has already been the subject of control and interference by the State, and still more so during the war. Although costs of production have risen prices have risen still further, and it is certain that many farmers are making handsome profits. There will naturally be a demand that the intervention which has caused this should in some form or other be continued.

Many of the economic and scientific problems which arise were discussed by Sir Daniel Hall, formerly director of Rothamstead Experimental Station and scientific adviser to the Ministry of Agriculture whose death we regret to record took place on 5th July, in his last book *Reconstruction and the Land*.<sup>\*</sup> The heyday of British farming was in the sixties of last century. After that prices began to fall. Many farmers were ruined "since their landlords failed to realize in time that the depression was no temporary affair but had to be met by drastic reductions in rent." It may be added that in many cases the landlords tried to maintain their incomes by refraining from repairing and keeping up the buildings and other equipment of the farms, and the effects of this became cumulatively noticeable.

Agriculture gradually readjusted itself to the changed conditions, and its increased prosperity prior to the last war was evidenced by a considerable demand for agricultural estates. "Various speculators in command of money realized that farmers were then making very considerable profits out of the land of which their landlords were either not conscious or were unwilling to take advantage, since rents were not being raised." During that war prices rose sharply, and the price of wheat and oats was kept at a high level until 1921 by the operation of the Corn Production Act, 1917, and the Agriculture Act, 1920. "These high prices meant great profits and they created a keen competition for farms. As landowners were unable to raise rents, many of them took the opportunity to sell, and at the prices then ruling and the prevailing rates of interest they were able to double their former incomes from the land."

After the last war prices fell rapidly and reached a minimum in 1934. The extent of State assistance was much enlarged. Agricultural land and buildings, except the dwelling house of the farmer, were relieved of all local rates. An Agricultural Marketing Act was passed which "gave farmers the power of instituting a monopoly in the production and

trading in any one of the products of the land, a monopoly which could regulate the prices to be paid to the producers and the prices to be charged to consumers." This legislation has been applied to milk, bacon pigs, potatoes and hops. Almost at the same time a system of protective duties was introduced. In addition to these measures for imposing higher prices on consumers, the State has given "grants-in-aid in one form or another for the production of wheat and subsequently of barley and oats, of sugar beet and of fat cattle." Since the outbreak of war there has been superimposed upon all this the general control of food prices exercised by the Ministry of Food.

Let us now see what the factual position was immediately before the war. The number and size of holdings above 5 acres in 1924-25 were as follows:

Size	Number	Per-centage	Area	Per-cent
5-20	134,789	34.4	1,528,568	5.1
20-50	90,192	23.0	3,041,537	10.1
50-150	108,885	27.7	9,536,521	31.8
150-300	42,469	10.8	8,869,108	29.6
Over 300	15,324	3.9	7,007,405	23.3
Total ...	391,659		29,983,139	

Some farmers have more than one holding. The number is not known. Sir Daniel estimates that there were about 150,000 small holders farming under 50 acres mainly dependent on family labour, and about 100,000 to 120,000 larger farmers employing labour. It is estimated that about 25 per cent of holdings are owned by the occupier. The number of workers employed in agriculture fell from 892,411 in 1923 to 697,463 in 1938.

The total rental value of land in England and Wales was estimated at £42,350,000 in 1924 and £36,700,000 in 1931 or an average of 31s. an acre and 25s. respectively. The capital value was estimated at £645,000,000 (or an average of about £24 an acre) and the tenants' capital at £280,000,000.

The value of the agricultural output of Great Britain in 1937-38 was valued at £265,000,000 of which about 70 per cent was derived from livestock and livestock products and 13 per cent. from fruit vegetables and glasshouse products. About £65,000,000 of imported foodstuffs was used in livestock production. If this is deducted the net output of agriculture is £200,000,000. Assuming the number of persons employed in agriculture to be 700,000 the gross output per head is £380 and the net output £285.

State assistance to agriculture in the form of subsidies and rating relief is estimated at £41,000,000. In addition to this it is to be remembered that the "annual output could have been purchased in the world's market at £60 millions less than the cost to the consumers." Thus it would appear that the consumers and taxpayers, who of course are broadly the same, are subsidizing agriculture in direct payments, rate relief and enhanced prices to the extent of £100,000,000 a year. Can we afford to go on doing so? And should we in any case continue to do so?

The argument against subsidies is put very cogently by Sir Daniel. "The current policies of subsidies and protection

are not likely to have much effect in improving the technique of British farming nor in modifying its organization. On the contrary they tend to keep in being old methods and indifferent farming. They favour scarcity policies of restricting production to the quantity that can be sold at a high price. In so far as the subsidies are not absorbed in increased rents they give excessive profits to good farmers in order to enable bad farmers to live." And again: "The cost of subsidies, direct or indirect, is excessive, amounting to 20s. to 30s. per acre of cultivated land, more than the total rental. It amounts to an average of more than £100 to all farmers or, since smallholders receive little of the assistance, to upwards of £200 a year to all holdings of above 50 acres."

In the long run a large part of the benefit of subsidies goes to the owner of the land and not to the cultivator. "Tenants are already competing for farms, and the more the farm can earn, either through capital the Government has put in or through subsidized prices, the more rent the tenant will offer. The effect of the subsidy policy is already seen in reports of rent audits at which there were no arrears and of new lettings at higher rates; the press also reports higher prices for the freehold of farming land. Yet to whatever height subsidies may be raised, the tenants will in the end be little better off." To this it may be added that not only will tenants not be better off, but the man who buys land for farming will also be no better off because of the enhanced price which he will have to pay.

Sir Daniel, in common with some other writers on agriculture, leans to the view that the State should purchase all agricultural land. The arguments which he advances in favour of this course are two. One is that capitalists are disinclined to spend money upon equipping farms because of the long delay between expenditure and return and because they do not consider the prospect of profits sufficiently tempting. In Sir Daniel's opinion this is "the sort of long-term investment that the State can undertake if it is the owner of the land, because it stands to recover not only the direct return in income from the improved land but the collateral gains which come with increased production." The other argument is, in the words of the Haversham Committee, 1912, that there should be "some system which will protect the tenant against dispossession, whilst at the same time securing to the occupier all the advantages now enjoyed upon well managed estates. This, in our opinion, can be secured by the acquisition and management of landed estates by the State."

There are other means of giving the occupier security of tenure than by State purchase of all land. It is, for instance, possible to provide that the tenant shall be entitled to a renewal of his lease at a rent fixed by an impartial valuation if the parties fail to agree. State ownership does not in fact guarantee a tenant security of tenure unless the State binds itself not to raise the rent beyond a fair figure or to reduce the rent if the economic

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## COMPLACENCY ON THE TAXATION FRONT

circumstances so require. The establishment of security of tenure will go some way at least towards securing that the capital equipment which the land requires is provided. A tenant who is liable to be turned out at any time is naturally disinclined to spend money upon improvements which will not yield a quick return.

It is not clear what Sir Daniel means by "the collateral gains which come with increased production." If this is intended to refer to increase in the land value or economic rent, then there is a very simple means of securing that the gain accrues to the State and that is the taxation of land values.

It should be evident that if the State purchased all the land it would in the vast majority of cases leave the present occupier in possession as tenant of the State. The State in all those cases would not take possession of the land, but would merely receive the rent. If there was a dispute as to whether the rent was equitable or not, there would have to be machinery for settling the question in an impartial fashion. If, therefore, that machinery were set up otherwise, all the practical advantages of security of tenure could be obtained without the financial disadvantages of State purchase. Purchase at the present time is an especially dangerous proposal in view of the increase in land values which has taken place in recent times and which Sir Daniel himself points out.

It is suggested that the basis of purchase should be some number of years' purchase of the annual value as fixed for Schedule A of the income tax. It is extremely doubtful whether this is either an accurate or a uniform valuation. Recent legislation which has enabled the Inland Revenue to substitute the actual rent paid for the value established at the periodical reassessment has probably increased the anomalies. But whether the proposed basis of purchase is fair or not, the transaction is unnecessary for achieving the purpose in view.

The question remains, if agriculture in this country is not to be subsidized, how is it to be saved? The answer perhaps may be found in following the example of Denmark, Holland and Belgium in none of which have agricultural protection or subsidy played any great part. Their agricultural economy has been built up upon a frank recognition that they must adapt themselves to the conditions of the present day. They have accepted imports of cereals from the Western Hemisphere at low prices and have used these as the basis of an intensive animal husbandry together with the growing of perishable products such as vegetables and fruit. There is still a large potential demand for these things. The urban population will in time learn that canned and preserved foods are no substitute for fresh food.

At the same time our system of land tenure and taxation must be revised so as to secure that the value of land goes to the state, that he who improves land is not taxed upon the value of his improvement, and that the occupier has security of tenure at a fair rent which will encourage him to make the most of the land.

A LEADING article entitled "No Death Duties," in the *Manchester Guardian* of 17th July, has in it a number of reflections which are worthy of comment. Here is the article:

The Isle of Man has refreshing qualities quite apart from its sea breezes. There more than anywhere else in the British Isles (perhaps even in the British Commonwealth) the spirit of the Victorian age lives on. Where else could we find a Legislature solemnly refusing even to inquire into death duties? Where else could we find a sturdy elected representative of the people laying it down that "the foundation of justice was that there was one law for everyone, rich and poor. All graduated taxes like this outraged this principle."

We should have to go back to Hansard of 1894 to find a worthy companion for the honourable member. But in one respect the Isle of Man is unique. Its House of Lords (the Legislative Council) is in favour of an inquiry into death duties; the Commons (the House of Keys) is against it by thirteen votes to five. It is an odd business. The explanation probably lies in the words of Mr Samuel Norris, one of the most respected of the Isle of Man's few Progressives: "In all the history of the Tynwald Court it had been constituted very largely of people who were owners of land and property and came to their seats on that basis."

Thus it is possible for this delightful island to put aside such dangerous things as unemployment insurance (which might affect wages), death duties (which would reduce unearned wealth), and an excess profits tax (which would curb war gains), to keep income tax low even in the war, and to raise the bulk of Government revenue from indirect taxes. There is no nonsense about "the century of the common man" there.

To deplore the maldistribution of wealth has become among publicists almost a formality. By now it must have lost the force of novelty among a public accustomed by the same authorities to consider a government much more as a universal provider than as a safeguard of liberty. Nevertheless, among the people the sense of injustice still smoulders, ready, according to the turn of events and to the quality of public discussion, to help the reformer to strengthen society or the demagogue to destroy it. Hazy thinking when published in newspapers is thus of greater consequence to the average man than he often realizes.

False arguments for a good cause open the way for good arguments against it. If unsound solutions for our troubles are the only solutions the masses are permitted to hear, intellectual integrity itself reduces the best citizens to that state of doubt and hesitation which forms a nucleus for apathy and cynicism. Examples of democracies which at the last, supreme moment have failed to find a reserve of enthusiasm are too close to enable us to be indifferent to this consideration.

Consider how this *Manchester Guardian* article treats the argument that justice is founded on there being one law for everyone, rich and poor and that graduated taxes like death duties outrage this principle.

In a tone of derision-cum-more-in-sorrow-than-in-anger the writer condemns the argument as "Victorian" and without the slightest attempt to examine the principle involved. And he continues with some observations on taxation from which we can only assume that he considers the modern trends approach perfection although one remark, suggesting that death duties are levied only on unearned wealth, might startle some readers. A newspaper suspected of Free Trade leanings would of course be hypersensitive on the subject of Victorianism; but is it not becoming slightly *démodé* to assume that every social arrangement of an age which knew not the gas mask was the work of knaves, fools or hypocrites?

Could some contemporary of Macaulay revisit the earth he would indeed be impressed by the progress which has been made in machines to spread death and propaganda. But the technical and scientific progress he might attribute to individual intelligence and research, working on knowledge acquired by past generations, rather than to the excellence of our social arrangements—for which he might indeed wonder if we had much enthusiasm ourselves. The tendency of modern governments to take from the rich (and not so rich) just because they have it and to distribute *via* the euphemism of social services to the masses who sway elections, and *via* subsidies and other means to powerful interests which influence party machines, might appear to him less like a genuine cure for economic disparity than the modern form of those methods by which some Roman dictators buttressed their power while seeking popularity with the mob. Moreover, if this ghost from the past could insinuate his shadowy form into some private conferences of accountants, lawyers and estate managers it might strike him that a confiscatory tax, however crude in principle might be so complicated and expensive in practice as to impose on society the maintenance of a vast army of non-producers and in the end put a premium on cunning.

To this ignorant Victorian our modern trends of taxation might appear a direct discouragement to those qualities of efficiency, self-reliance and public spirit which he had seen develop in his own time under a different tendency in legislation and which had been accompanied by a remarkable increase of national wealth, power and confidence. He might even suspect that our disappointing achievements in production and inventiveness for war might be traceable not only to the previous encouragement of the monopoly so fatal to efficiency but also to a system of taxation which increasingly levied heavy fines upon successful enterprise.

Few of us to-day are likely to assess Victorian England entirely at a Macaulay valuation, but the appalling results of complacency in kindred spheres must surely warn us against the dangers of complacency towards any social question. The *Manchester Guardian* and other media of progressive thought might serve their readers much better by meeting apparently reactionary arguments on the grounds of