

THE HARM DONE BY SUBSIDIES

TWO ARTICLES by Lord Astor in *The Observer* (13th and 20th June) on the future of farming deserve mention. He refers to the League of Nations Report on Nutrition (the work of a Commission of which he was chairman) and its conclusion that there should be a change over to a larger production of those foods the lack of which is responsible for deficiency diseases. This means that there should be more milk, eggs, vegetables fruit, potatoes, and meat—in other words a greater production of those foods which should be eaten fresh and are injured by storage. On the other hand cereals, particularly wheat, and sugar can be kept and transported over long distances without apparent detriment, and should in the opinion of the Commission be grown increasingly in those countries whose climate favours their cheap production.

A similar conclusion was arrived at by the United Nations Conference on Food and Agriculture held recently at Hot Springs, Virginia (Cmd. Paper, 6451, 1943).

In Lord Astor's view no attempt should be made to expand the production of wheat in this country above its pre-war level, a level which it is to be remarked had been artificially raised by subsidization under the Wheat Act, of 1932. He points out also that it is extravagant to grow sugar in this country. "Before the war our encouragement of this crop made us pay about £100 for English sugar which we could have bought for £50." In addition we were making grants to help our colonies which were in distress because of the curtailment of the market for their cane sugar.

Moreover, there are disastrous repercussions in the policy of subsidizing the production of wheat and beet sugar. "Every expansion of corn makes the health foods more expensive . . . Every extra subsidy to corn compels the community to pay a higher price for milk in order to bribe farmers to stick to cows. Wheat as the corner stone of British agriculture first makes milk expensive and then compels the taxpayer to cheapen it with large subsidies in order that poor families should get enough."

Lord Astor's second article dealt with land and its ownership and use. It lacked definiteness, but appeared to lean to the view that public ownership of the land and private management of the business of farming was the object to be aimed at.

Those who favour a policy of land purchase should consider the increase which has already taken place in the price of agricultural land. The Financial Editor of *The Observer*, Mr. Manning Dacey, writing in the same issue which contained Lord Astor's first article said:

"Writing early in the war, the late Sir Daniel Hall valued the whole of the agricultural land in the country at around £1,000 millions. A reasonable estimate to-day would be nearer £1,750 millions."

After remarking that little land was coming on to the market because of reluctance to sell, he continued:

"High prices are nevertheless being paid for any farms offered with vacant possession. A leading firm of valuers state that they are unable to put a price on such property, because prices may soar to

almost any level if it is sold by auction. Before the war, the finest agricultural land in good heart would command a price of £40 or at the most £50 an acre. To-day such land is being sold at anything from £100 to as much as £130 an acre.

"Farmers in wartime are, of course, guaranteed more than satisfactory prices for their produce, and to a large extent the rise in land prices reflects simply the increased profitability of farming . . .

"Even where rents are controlled and the owner cannot obtain vacant possession, prices have risen substantially. Before the war, land as an investment was valued on a yield basis of five to five-and-a-half per cent.; which means that its price would be eighteen to twenty times the net annual rental received. Today, purchasers are willing to accept a return of as little as three-and-a-half per cent., or even three per cent. on their money: in other words, the land is valued at twenty-eight to thirty-three years' purchase.

"This movement is quite disproportionate to the falling rate of return on other forms of investment, such as Government securities.

"It is undeniable that some buying of land has been prompted by a desire to safeguard the value of capital against a possible inflation. Many former owners of foreign stocks taken over by the Treasury have put their money into land for the duration, accepting low rates of return until the outlook for industry is more assured . . .

"Government statements have suggested that substantial subsidies to agriculture will be granted. Unless steps were taken to prevent it, the tendency would be for such subsidies to be gradually swallowed up in higher rents, leaving farmers still with the very minimum needed to prevent them from turning to other occupations for a livelihood.

"It is arguable that agricultural rents in general have been depressed by years of low prices and that some rise would be justified to enable landowners to carry out necessary repairs and improvements. But it is obvious that the situation will need watching if any large-scale programme of assistance to agriculture is in fact put into effect."

Thus we have one more exemplification of the age-old story that every attempt to bolster up agriculture by protection, subsidies or price-raising devices results in higher rents, and the actual farmer, as distinguished from the landowner, gradually sinks back to the relative position from which he started. Another lesson is that, even if one did think of land purchase, the worst time to carry out such an operation is when the price of land has been inflated to an abnormally high level by extra high prices and subsidies.

It is apposite in this connection to quote what Lord Bledisloe said in the House of Lords Debate, 10th June, on the Town and Country Planning Bill: "Unfortunately land speculation is going on apace at the present time and militating against the acquisition of land by those who can best use it in the national interest. I shall give only one illustration, which occurred in the West of England last week when a certain

farm was put up for sale by auction. It was one of several farms at the same auction. There was there a little speculative syndicate which did most of the bidding while thoroughly well-deserving farmers were at the auction prepared to bid for this agricultural holding. I understand that that speculative syndicate has been going from one agricultural sale to another not in order to secure an agricultural holding to farm it, but in order to get what is described as a 'horizontal profit' out of it and, if possible, to sell it at an enhanced price to the person who will put it to the best use."

HOW TO BECOME A PASHA

A SIGHT of Egypt is given in Mr Wendell Wilkie's descriptive article in the *Daily Telegraph* of 6th May:

"No one can travel down the Nile, I believe, even when it is the back-drop to a war, without realizing what education could do to help restore to the Egyptian people the national virility that history itself claims for them. . . .

"I met pashas at every reception I went to. Many of them are married to foreign wives; they are socially attractive, genial men. Public squares are filled with statues of them.

"'Pasha' is a title which has survived in Egypt from Ottoman times. It was formerly a rank conferred on military leaders or provincial governors who served the Empire well. Now it has become a courtesy title, bestowed by the King. Egyptian people figuratively and literally roll out the red carpet for a pasha whenever he appears, for he has the money with which to hire such services.

"But when I asked one of my hosts, a young Egyptian newspaper man, 'Does a man become a pasha by writing a great book?' he answered, 'I suppose he could, except that almost no one in Egypt writes books.'

"'Do you get to be a pasha by painting pictures?' I asked.

"'There is no reason why you couldn't, except that no one here paints pictures.'

"'Does a great inventor ever get to be a pasha?' And I was told once more, 'We've had no great inventors that I know of since the time of the Pharaohs.'

"I was not in Egypt long enough to learn all the reasons for this cultural sterility. The fact that culture and education in Egypt's great cosmopolitan city of Cairo are dominated by non-Egyptians has something to do with it; as does the predominant ownership of Egypt's fertile land by a small group of pashas who, for the most part, have attained their titles not even by political activities but through the use of their wealth."

A committee of the Liberal Council has provided a special report on the Status of the Independent Trader which has been published in pamphlet form and will, it is expected, be submitted to the Annual Liberal Assembly being held in the Kingsway Hall, London, 15th to 17th July. The report devotes three of its pages to a cogent and convincing statement in favour of Land Value Rating, showing in particular the benefits shop-keepers would derive from the reform. We hope to make a further reference, with quoted passages, next month.