

AGRICULTURE AND THE LAND QUESTION

Capt A. R. MacDougal at the Liberal Summer School

A vociferous reception was given to Capt A. R. MacDougal at the conclusion of his address on "The Real Cause of Agricultural Distress" at the morning session, 3rd August, of the Liberal Summer School in Cambridge. As the Chairman, Mr E. O. Fordham, said, the applause sounded more like an encore. It was clear proof that when a rousing call is given to settling accounts with fundamental wrongs in society the rank and file of the progressive forces, whatever be the political label, are only too ready to respond.

Capt MacDougal had shown much enterprise in having his Address printed beforehand in the form of a pamphlet which embraces 32 pages, with a vast amount of striking instruction and information in it that could not possibly have been spoken within the limits of the time at his disposal on the platform. He was able to bring out the main points that were heard with so much acceptance, and immediately after the Address more than 100 copies of the pamphlet (at 6d. each) were sold to those in attendance. A fresh edition of the pamphlet has since been prepared for general circulation, at the more popular price of 2d. each, and it is one of the pieces of literature that should be in the possession of every person who would spread the agitation for Land Value Taxation especially in its application to the holding of agricultural land.

"In my opinion," Capt MacDougal said, and he speaks himself as our readers know as a tenant-farmer of 4,000 acres, "the present cry of 'Help the Farmer' is false. The only result of State aid without rent control and Taxation of Land Values will be to increase land values and benefit and safeguard the owners of land and the Mortgage holders. The present policy has aggravated distress and delayed recovery.

"As a man with some feelings of justice and humanity, and as a Liberal, I recoil from food taxes as immoral and utterly wrong, and as a plain business man and farmer I look upon the whole present policy with dread and distrust. If it succeeds it will result in a new crop of forced occupying owners at boom prices, burdened with mortgages, and the whole body of tenants sitting at high inflated rents, whilst workers will be in distress.

"When the inevitable crash comes and sanity returns these men will be left tied to hopelessly mortgaged farms and hopeless highly rented farms. They will be ruined, as at deflated prices the rents will not cover the mortgage interest and the tenants will be unable to pay them.

"We should welcome cheap food and insist on cheap land.

"Land was made for the use of man, and man was not made for the convenience of the landowner, which role he has too long played. Doles to agriculture will merely make us worse. Give us conditions of tenure that are fair and no State aid is required."

VARIOUS CAUSES

Capt MacDougal started by enumerating the various causes that have been suggested for agricultural distress, viz. : 1. Heavy and unfair rates and taxes ; 2. Stipends and Tithes ; 3. Inefficiency of farmer ; 4. Inefficiency of Marketing ; 5. Lack of capital ; 6. Low prices ; 7. Under consumption.

The eighth clause, he said, was the land system, including rack rent, insecurity of tenure, excessive and uncontrolled mortgaging, etc., adding that "this is never mentioned by the present Government and is taboo in all polite society, and many farmers who know

it well enough mostly feel it is not good policy for them to say so."

He disposed of the first seven alleged causes. As to No. 1 he pointed out that agricultural land had been exempted from local taxation under the Derating Act ; that in the assessment to death duties the ownership of agricultural land had been peculiarly favoured ; that as to income tax the tenant-farmer got special benefits by being assessed on his rent, which is assumed to be equal to his income, and if his profits are less than that he can show his accounts and pay on his actual profits ; as for the occupying owner, he can set off his loss as an occupier against his assessed income as an owner. Finally, in considering this matter of taxation one must take into account the free gifts received.

These free gifts or "doles" to agriculture were computed at £38,000,000 a year, all coming out of the pocket of the general taxpayer, including "derating," wheat, sugar, milk and beef subsidies, and afforestation grants—to which should be added the extra cost to consumers of import restrictions of all kinds and items like research, education, small holdings, etc. But putting the dole or subsidy at £38,000,000 it was equal to 19s. per week for every agricultural labourer employed. "The agricultural landowner is the lightest taxed and rated and the heaviest subsidized member of the community."

As to capital or credit, agriculture is in fact surfeited with such. This does not mean that too much is being spent on the land in improvements. It means that the price of land and the rent of land is driven up to unprofitable heights by the vast amount of capital seeking investment in land or in farming, and to the scarcity and monopoly of land. The present high prices and rents show no lack of capital available, but money spent merely buying land is not money spent in improving land. The more spent in rent or price leaves the less for the real business of farming and developing land.

Agriculture may be likened to a rain water barrel with the bung knocked out. You cannot fill it above the level of the open bung-hole of rent. You may pour in spates of subsidies and doles but you will never fill it until you control the size of the bung-hole of rent and land values. As an instance of the futility of present subsidies I have it on good authority, and as quite a typical case for comparison, that the tenant of a farm paying over £1,300 in rent has received this last year in wheat and beef subsidies over £800. Surely we as taxpayers and consumers are entitled to demand that this quite gratuitous and unnecessary dole-mongering should stop and that the farmer should get no subsidies at all, but should pay £800 less rent.

For the finest, most concise and devastating statement against agricultural subsidies I refer to the White Paper, Cmd. 2581, issued in 1926 by Mr Baldwin's Government, on Agricultural Policy, vide Paragraph 5. A brief extract is here given, viz. : "Any general scheme of subsidies for agriculture is open to the gravest objection. They would have to be unlimited in duration and very large in amount to have any material effect in increasing the arable area or the number of workers employed. . . . In view of the extreme variations all over the country in the quality or productive capacity of land, it is impossible to devise any scheme of subsidies which will not result in the payment of a bonus to farmers who do not need it and for which no return will be received by the nation."

The proposals now to raise prices will fail for seven reasons. Briefly :—

1. Rising land values will more than absorb benefits if any.
2. Consumers' purchasing power being limited, present action will reduce it. Artificially higher prices mean lower consumption and more surplus.
3. It is impossible to assess the cost of production of agricultural products owing to variation of yields.
4. Similar tariffs on goods will raise costs of agricultural requirements.
5. Restrictions of imports and quotas will subsidize the foreigner by making us pay him more for less goods.
6. Stability of prices is dependent on political action, hence there can be no stability.
7. Certain ruin will fall on tenant farmers who are compelled to rent or buy land at boom prices, and further cuts in wages will ensue when the bubble bursts.

THE TRUE CAUSE—THE LAND QUESTION

It is well to ask : "Is there a sufficient income from farming to yield to all parties concerned a reasonable return if fairly divided in proportion to services rendered?" The answer, based on 35 years' actual experience of farming, is *YES*, and this is proved by the rents and prices still being offered for farms.

DIVISION OF THE SURPLUS

Example is given of a very big farm where the rent on long lease has remained stationary, showing the division of the available surplus.

From 1901 to 1913 the total figures for that period were : wages to 17 men £8,385 ; farmer's profit, salary and interest, £5,411 ; rent to one man for permission to use land, £11,700. Of the divisible surplus wages took 33 per cent, farmer's profit, etc., took 21 per cent and rent took 46 per cent.

For the post-war period 1913 to 1930 rent took 26 per cent ; for the worst period of the slump, 1931 and 1932, rent took 61½ per cent ; for the last two years, 1933 and 1934, rent took 50 per cent. In these last years rates and taxes amounted to only 1 per cent of gross receipts, while rent represented a return of about 15 per cent on landlord's capital outlay over the preceding 80 years.

Another example is that of a grazing farm, the division of gross receipts being given in terms of sheep sold at an average price of 18s. 3d. per sheep. Shepherd's wages were 3s. 7d. ; other wages and charges, hay, dip, rams, drains, etc., 4s. 2d. ; rent, 12s. 8d. ; farmer's loss, 2s. 2d.

In the *Farm Economist* for January, 1933, Professor Orwin shows that on a group of farms over the period 1921 to 1931 the "distribution of farm profits" was : wages 66 per cent, farmer 2 per cent, rent 32 per cent.

Again, in a survey of "The Profitableness of Farming in Scotland," issued by the Scottish Board of Agriculture it is shown for a group of 130 farms that in 1928-29 for every £100 of production wages took £30, farmer's profit took £9 and rent took £13.

Rent is taking too far big a share although the owner renders least service and often none. It is clear from these figures that there is ample margin in rent now to enable efficient farmers to pay good wages and to have a reasonable return for themselves provided rents are reduced. In brief, the distress is due to a maladjustment or an unfair division of the surplus.

THE SEVERAL PARTNERS—RAMSAY MACDONALD'S "SWEATED LABOUR"

The respective positions of farm worker, occupying owner and landowner are discussed. The real cause of the worker's distress is excessive rent and lack of power to get his fair share of the wealth he helps to create.

Here Capt MacDougal deals trenchantly with the statement by Mr Ramsay MacDonald in his New Year's Wireless Address that :—

"The towns must no longer live on the sweated labour of the tiller of the soil."

The plain fact is that never at any time has the town dweller lived on the sweated labour of the tiller of the soil. The tillers of the soil have been sweated, but not for the town consumers. They have been sweated by rack rent. The towns and free trade have given us the finest market in the world, but as farmers prospered rents and land values increased still faster.

On the long view, while the present occupying owners may benefit by State doles, their successors either by purchase or inheritance will be damaged by the present spate of doles. Their present troubles are not due primarily to low prices but to having paid too high a price for the farm. If the present price-raising succeeds, a new crop of occupying owners will be forced into being, doomed to the same distress as the present ones are suffering from, when the bubble bursts once more.

One of the things chiefly affecting the landowner's position is the power to burden land. The decline of estates is mostly centred in uneconomic borrowings. The effect of huge mortgages has been to increase the effects of land monopoly and to leave landlords quite unable to maintain and improve the land they nominally own and which for some foolish pride they will not sell. Land should not be a subject of preferential security for debt. The owner should require to sell a portion of his land if he could not borrow on his own credit like any other business man or farmer. If such a rule were established, no one would lend money on land. The moribund estates that now like corpses poison our countryside, smothered in bonds raised to pay portions, dowries, personal debts, death duties, would vanish and a healthy debt-free ownership would replace these really harmful estates.

As to management, while there are many exceptions, a comparatively small proportion of landlords know anything about farming or agriculture and many care less. Management is left in the hands of city lawyers who know nothing practical but who administer law instead of common sense, and who perhaps with good enough intentions, or merely obeying orders, deem it their duty to refuse to spend a penny and to exact the last farthing in rent, and when forced by circumstances to do improvements, spend the very minimum on a cheap job which satisfies nobody and proves the most expensive in the long run.

WHO MAKES IMPROVEMENTS ?

Capt MacDougal answers two pleas often made : (1) that the rent does not represent any return for the land itself but is merely about 1 per cent or so on the capital sunk in improvements executed by the landlord and (2) that the rent or most of it is entirely spent on maintenance. He quotes from the conditions of let of one of the biggest arable estates in Scotland and it is typical of the majority : "The whole house, buildings, grates in farm house and cottages, water supply, mill ponds, ditches, drains, roads, bridges and internal fences shall be maintained and upheld by the tenant during the lease and shall be left at the termination

thereof in thorough and complete order and repair." While it is true that the permanent equipment is now the property of the landlord, it does not follow that he paid for or executed the improvements. In most cases the cost has been borne by the tenant either directly or in increased rent to repay the landlord's expenditure. The fact is that agriculture has been steadily drained for a century by excessive rents which have been in too many cases spent outside and squandered.

REMEDIES

In the first place Capt MacDougal calls for stopping absolutely the whole policy of State credits, and of spoon-feeding agriculture with quotas, tariffs, subsidies, derating, etc., and would announce that in no circumstances will any public money be given to the landed interests. Secondly he would "appoint a land court to adjudicate and enforce economic rents." Then he goes on to say that the whole problem should be attacked from the point of view that plenty is a good thing and that we wish plenty of food and cheap land, not food scarcity and dear land . . . "Our efforts should aim at increasing the purchasing power of the people by transferring as a start the whole of the rates now levied on houses on to land or site values by means of a thorough-going scheme of Taxation of Land Values, both rural and urban."

As to this programme we query only the place Capt MacDougal has given to a proposed land court. He may have in mind the Land Court in Scotland for the smallholders and the statutory small tenants, which has in a measure lightened the rent burden of these landholders; but the land court has done and can do nothing to break up the stranglehold of the land monopoly in its withholding of land from use at excessive rents and prices. It can at best only fix a rent for land now used, in the circumstances that exist. Its assessed "economic rent" can only be an arbitrary and fictitious thing. When the land monopoly is broken, when land is really open to use to all who can use it, and not till then, can any one say what an "economic rent" is. Therefore the best and most efficient rent court is the steady operation of Land Value Taxation in impelling and encouraging the best use of land with all its "extreme variations all over the country in quality or productive capacity"—to quote again the White Paper, Cmd. 2581 issued in 1926 by the then Conservative Government. Rent will automatically and without any control find its natural level. Therefore let the start be made at once for a thorough-going scheme of Land Value Taxation, applied to both rural and urban land.

Councillor Wm. Bowey, of Sunderland, of whose death in January last we have only just heard, was a strong supporter of the Taxation and Rating of Land Values, and one who in a public life of much self-sacrifice ever fought for the common welfare. The strenuous opposition he made against the L. & N.E. Railway Company, when they sought to enclose part of the Town Moor, the partly successful fight against exorbitant prices charged for land on the new municipal housing estate at Ford, and last, and perhaps most noteworthy, his and Councillor Thurlbeck's successful efforts to prevent enclosure, by the landed interests, of Tunstall Hill, the well known local playground, which has been open to the people of Sunderland since time immemorial. This last-named agitation in the spring of 1929 led to him and Thurlbeck appearing in the local police court, when they came through with flying colours.

EMPTY LANDS

Significant is the leading article in the Conservative *Glasgow Herald* of 13th August, from which we take the following extracts:—

Italy's ambitions in Abyssinia arise, in part at least, from the desire of a growing country to find a suitable annexe for that part of the population which can no longer be comfortably housed under the national roof. The methods by which Italy is preparing to solve this problem do not invalidate the reasonableness of the case for expansion which Germany also has argued with some force on her own behalf and may argue even more strongly in the not distant future. . . .

The other side of the problem is the British Empire's possession of vast territories so sparsely populated that the few inhabitants are like caretakers left in charge of an empty mansion. Australia supports two persons to the square mile; Canada three. What will be the future of these Dominions in a world where great Powers are stretching out their hands for new land? . . .

The Empire's best and ultimately the only reason for possessing so many millions of square miles of habitable land is that they are being put to the most profitable use. Unless the problem is tackled in sober earnest the consequences will be extremely serious 10 or at most 20 years hence, by which time it is not unreasonable to suppose that the claims of growing countries for means of expansion will have swelled to clamourings. The problem is one to be considered first by the Dominions. The land is theirs, but unless they can plan its future so that their possession is justified by results they must be prepared at least to listen to the claims of others who feel they can and should expand. Ultimately the problem will become one not for the Dominions nor even for the Empire as a whole, but for the world. For every nation may fairly claim to grow. One cannot be sure that the Dominions have yet understood all the implications of their ownership, and the most careful study of every aspect of the problem cannot be made too soon.

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