



An Iconoclast Answers his Questionnaire

MR. WOODROW W. WILLIAM, a supporter of land-value taxation and free trade for many years, is part-owner of a farm in Ohio, U.S.A. On this page he tells the story of Government intervention in agriculture, and the consequences.

Responding to a questionnaire on farm policy sent out by the Department of Agricultural Economics, Ohio State Agricultural Experiment Station, (a duplicate copy was sent to us), Mr. William gave some forthright answers. Asked (on the questionnaire) to put a list of fourteen farm objectives in order of preference, Mr. William led off with "Promote freer foreign trade." His second choice was "Provide farmers freedom to operate." Other objects such as "Raise farm income" and "Maintain present marketing systems" were not even included on Mr. William's list.

Asked if he was satisfied with the present farm programme, and if not, then the reasons, Mr. William replied: "No, it favours big cash grain farmers who 'milk' the soil with no conservation."

Answering the question, what farm programme he preferred of four listed, he ticked "No government programmes." Asked for comment, Mr. William wrote: "Educate farmers and others to shift the taxation burden on to land and off buildings, improvements, personal property, incomes and production in general. Low taxes on land favours land speculation and hurts the young family farmer."

To the question, did he favour an "early retirement programme," Mr. William naturally said: no. This desperate piece of welfarism is, presumably, designed to cut back production. The questionnaire describes the plan. "Under the programme, operators who quit farming between ages 55 and 65 would receive fifty dollars per month until age 65 when they become eligible for social security. They could also put their cropland in a retirement programme."

Replying to other questions, Mr. William said he did not want to go to evening classes "to be trained for another job" and he thought farm incomes would drop if government programmes were eliminated. To this last question Mr. William made this thoughtful observation: "The biggest effect would be the collapse of present fantastic land prices. It is high time for this. Many would be hurt, but we must go through the wringer eventually. The sooner, the better; to delay will make it that much worse when it comes."



Government Intervention in Agriculture

A HISTORY OF FARMING

"It should not be lost sight of that all

BY WOODROW

THE "FARM PROBLEM" is by no means a new one.

It might be said that it dates back a century or so. But in those days there was not much thought given to anything like the present-day notion of a "guaranteed price" or "parity." Agitation was usually centered on getting better transportation facilities to market the produce, for which a ready market existed: thus the early governmental activities to promote canals and turnpikes, and later railroads.

With a continent to populate and millions of acres waiting to be tilled, about the only problem then was transportation. Our land policy generally prevented the growth of huge estates and land was available for all comers, in spite of occasional frauds in its disposal. But some time after the Civil War it could be seen that cheap or free land would not be inexhaustible. It was during the Civil War that Lincoln signed the Homestead Act, under which settlers could get land free, provided they lived on it for a minimum of seven years and made certain improvements.

It was during this period that the Granger movement and the Populists agitated for anti-monopoly laws, mostly directed against the non-competitive railroad rates, but also against the growing monopoly of "big business" through mergers and the corporate structure in general.

Still, there was nothing really very serious with farming until after the first world war. True, the "panics" of 1873, 1893 and 1907 were felt, but after the huge expansion of wheat growing for the war and the ensuing collapse in the twenties, things down on the farm got serious. This comes within my own memory. I was a young boy at the end of the war, and remember how hard-working neighbours got caught with land bought at inflated prices under the delusion that war-time prices would hold. But expenses stayed high and war-time excise taxes and tariffs began to be felt in all supplies the farmer bought. Even so, it was only a small percentage of the farmers who were in dire circumstances.

Their complaints goaded Congress to pass the first of the modern "Farm Relief" Acts, as they were then called. I remember hearing the phrases "export debenture" and "domestic allotment" a good deal. As I remember it the general idea was that a direct subsidy be paid to farmers but only for a certain percentage of their produce. The market price would prevail, but each farmer would get

Intervention in Agriculture



SUPPORT IN THE U.S.A.
Government programs bolster land prices or rents
W. WILLIAM

his subsidy at two rates — one on the percentage of his crop to be used domestically (domestic allotment), and another on the percentage that would flow into export (export debenture). Any excess he would have had to sell at market prices. This was not too different from the much maligned "Brannan Plan" proposed by Mr. Truman's Secretary of Agriculture, Charles F. Brannan. (The present wheat programme has features similar to that forgotten plan.) But the Bill was vetoed by President Coolidge. After slight revision it was passed again by Congress — but again it was vetoed. By that time a good bit of the inflated land prices of the world war boom had been washed out, and we were in another "boom" of sorts. I remember helping my father to drive a drove of hogs to the scales to sell at \$14.00 per cwt. on July 4, 1926, a better price (considering the depreciation of the dollar) than hogs are bringing today! Wheat was \$1.25 per bushel, very little less than it is today — and its buying power much more.

So the crisis was deferred for five years. After the boom collapsed, as indicated by the stock market crash in October, 1929, things began to get dark again. By 1932 hogs were selling for less than \$3.00 per cwt.; wheat brought 50c. per bushel and corn a quarter. Farmers were crying, with other segments of the economy, "Save us, save us, lest we perish," to use one of F. D. Roosevelt's catchy campaign phrases.

It was not difficult to convince the people, Congress and the President that "something had to be done." Henry A. Wallace was appointed Secretary of Agriculture and the Agricultural Adjustment Act was passed, which gave the Federal Government broad powers to control the production and marketing of farm produce. This was the period of the "pig killing" and the ploughing under of every third row of cotton. It was undoubtedly a rather dark period in agriculture, but yet not nearly so dark as the critics made it out to be. At any rate, some degree of confidence was restored, and a halting new start was made by encouraged farmers, who eventually found that higher prices were not the whole solution! At the depth of the depression I saw land sell as low as \$60.00 per acre in my vicinity, and this same land will now bring \$300.00 per acre and upwards.

As soon as the "Farm Programme" was initiated land

prices were bolstered. This was helped by two other important steps. First, the State of Ohio, and I think others, declared a "tax moratorium" on our *ad valorem* real estate tax (comparable to rating in England) for the relief of "property owners." Then the sales tax and other excise taxes were imposed for State revenue, with a constitutional limitation on local real estate taxation. Then the Federal Government went into the banking business to help distressed farmers re-finance their farms. They could borrow money at as low as four per cent interest. It is easy to see that this immediately gave a boost to land prices. But it was only a minority of farmers who saw the ultimate result of these measures, which were all financed by taxes.

The Agriculture Act of 1938 laid the foundation of Government intervention in agriculture and it has continued up to the present, although it has seen many revisions. This comprehensive Act was designed to "stabilise" farm prices, and there is little question that it has done just this. Some claim that it has prevented higher prices, by maintaining a ceiling; others claim that it has saved agricultural prices from collapsing. There is no doubt that it has contributed to an abundant supply of farm products in this country, but this abundance has become a burden when it should be a blessing!

The scheme operates under a Government system whereby the Commodity Credit Corporation "loans" money to farmers at the "support" rate. The farmer must store his grain in approved storage for a fixed time. If the price rises above the "loan rate" he can get it released, sell the grain, re-imburse the Commodity Credit Corporation from the proceeds and keep any remainder. If the price does not rise above the loan rate, he surrenders the grain to the Corporation who store it, or sell it at a loss under Public Law 480, a foreign aid law. The C.C.C. can also sell the grain if the market price goes up by a given amount; this is intended to protect the processors and consumers against drastic price rises during shortages.

PETITION FOR PRIVILEGE

HOW IS IT that the interests of agriculture are found in antagonism with the interests of the rest of the community? Why, these people have been proceeding upon a false system; they have been upon an unsound basis; they have been reckoning upon Act of Parliament prices, and now they find they are obliged, like other individuals, to be content with natural prices . . . Go to a meeting where there is a landlord in the chair, or a land agent—his better half—and you will find them talking but never as landlords and land agents, but as farmers and for farmers. And what do they say? Why, they say: "We must go to Parliament and get an Act of Parliament to raise the price of corn, then you may be able to pay your rents."—Richard Cobden.

Loans are made only to those farmers who plant within their allotted acreage. The "allotments" are designed to curtail the production of grain which is in "surplus" supply. In addition farmers are limited as to the crops they may grow on their idle acres, so that they will not "divert" to another crop, thus causing a surplus in that!

In the case of wheat more drastic measures were in operation for years. If the supply reached a certain level — something like two and a half times normal consumption — a referendum was held amongst wheat farmers. If two-thirds of them voted to impose "quotas," heavy penalties were imposed on any farmer who overplanted. These measures were in effect for some ten years, until 1962, when they were made even more severe in an effort to reduce the surplus which was becoming unmanageable. But the farmers rejected these restrictions in favour of lower prices, which have dropped to their present level. Production did not increase as much as some had feared but now there seems to be some diversion into feed grains, which is likely to give trouble in the years ahead. The recent action by the European Economic Community bids fair to have a drastic effect on agriculture in the U.S.A.

In all these plans the "fair" price is determined by a complicated formula which results in what is known as "parity." Parity price is based on prices prevailing during the period of 1910 to 1914, which for various reasons is said to be a period when farmers were on a par with other segments of the economy.

Along with the price support schemes, other "programmes" such as the Federal Farm Loan Banks already mentioned have been instigated. Another of these is the Agriculture Conservation Programme, which is designed to "assist" farmers to salvage soil damaged by erosion, wind or water, and to preserve the tilth of the land by growing legumes and grasses — especially on land taken from "feed grain" or wheat. Under this programme farmers are paid for part of the cost of establishing these seedlings, and also for liming and installing tile drains to improve the cultivability of the soil. As this programme tends to increase the productivity of the land it obviously works at cross purposes with the production control phases! It should not be lost sight of that all these programmes bolster land prices, or rent!

During the Eisenhower administration Mr. Ezra Taft Benson served as Secretary of Agriculture with the avowed



aim of "getting the government out of agriculture." Partly because of an unsympathetic Congress, and partly due to pressure of Republican party leaders fearful of losing the farm vote, he made little headway — in fact he seemed to have gotten the government in deeper. His main idea was a scheme to "lease" land from farmers and put it into a "soil bank," to save for future use.

This, of course, was right up the landholders alley. There was even agitation for suspension of local real estate taxes on this idle but profitable land. In communities with a considerable amount this soil bank land would have been disastrous for local revenues. Although probably as big a "boon-doggie" as any in the whole history of farm programmes this idea had a certain popularity. The soil bank did reverse a temporary slump in farm land prices which began in 1953. But it had little effect on farm production, and at the end of Benson's eight years the government had more grain in its bins than ever, and the cost during those eight years was more than in all the previous years back to 1933!

At the present time only cotton and tobacco are under any compulsion as to acreage limits. Government bins, in general, are being emptied and the bins sold if still usable. But private elevators are holding a great deal of grain under contract from either farmers or the government. Considerable wheat is still held, but C.C.C. holdings are not increasing much.

The future is not bright for farmers — and I mean those farmers who operate the farms. The owners generally are not so badly off. Under present tax policy it is the operators who have the really big burden because they pay on their machinery and livestock as well as on grain that is stored for feed. The owner of the farm could ride out a slump fairly well because his taxes on the land are not high — and his income taxes automatically drop when income drops.

I do not know what can be expected in future legislation for agriculture. The present wheat programme expires with the 1965 crop. It may be extended. The grain programme is likely to be extended. Some thought is being given to a plan similar to the old Brannan idea of fifteen years ago. In fact the present feed grain programme has similarities to that idea. The proponents claim that this maintains its voluntary feature but tends to penalise those who do not "co-operate" in reducing production. Heretofore, those who reduced their acreage got very little more for their grain than those who overplanted, making full use of their equipment while the co-operator left his idle. And the surplus was not reduced much.

The various farm organisations are not agreed on a plan. The largest, the Farm Bureau, while claiming to want less government in agriculture, pushes the "land retirement" programme or "soil bank" as it was called. This would be a great boon to the big holders of land and it is this class of farmer that dominates the Farm Bureau organisation's policy. The county in Illinois with the largest membership in this organisation is Cook County — which is mostly Chicago! It would appear that membership is not limited to farmers — or else the definition of a farmer is rather broad!

The Farmers' Union seems to favour a rather rigid regulation of production, with "high" support prices. They are not opposed to the production payment method of support — or the Brannan Plan. The Farmers' Union

seems to be popular in the grain belt — especially the vast wheat country in the Western Plains.

The Grange seems to take a middle position between the two. It is the oldest of the farm organisations, but by no means the strongest. It is organised as a fraternal organisation and emphasises social activities a great deal. Membership was originally limited to *bona-fide* farmers, but they have loosened requirements considerably. A good many members join solely to qualify for a cut-rate insurance policy that the organisation sells.

The National Farmers' Organisation is a new one, with a rather militant leadership. It hopes to persuade farmers to organise solidly and demand a set price (cost of production plus "fair" profit). They staged a "holding action" last fall, which was accompanied by some violence. They set up pickets at various markets to discourage non-members from marketing livestock. Two members were run down and killed in Wisconsin. It appears that enthusiasm for the National Farmers Organisation is declining — but I could be mistaken.

Whatever way you look at it, the farmers are still a powerful pressure group, and the land owners are well behind them.



FARMING IN THE U.K.

Feeding the Sacred Cow

AN INDICATION of the power and influence of the owners of land is the fact that agriculture, the principle occupation of the landed interests, is the only industry in Britain to have a whole department of government (the Ministry of Agriculture) devoted to itself alone. This Ministry, for which there should be no need whatsoever, has been created to operate the elaborate guarantee and price support system that, on whatever pretext it may be advanced, serves principally to raise the rent of agricultural land. (See "Reports on Land Prices," this issue.)

The support system naturally came up for discussion at the annual general meeting of the National Farmers' Union, where a call was made for higher prices for dairy farmers and beef and pork producers, and demands that weaknesses in the support system should be corrected and that imports should be controlled.

The current excuse for an artificially stimulated increase in home production is that it would help the balance of payments. Indeed, Sir Harold Woolley, president of the N.F.U., claims that increased food production in Britain has already benefited the balance of payments to the extent of £400 million.

This, of course, is not true. As the *City Press*, January 29, pointed out: "growing vast quantities of agricultural products in Britain at a cost in excess of that

at which we can buy from overseas saves us nothing in respect of the balance of payments, and in fact impoverishes the nation."

It went on: "If, in a foolish desire to produce butter at a price of about nine shillings per pound, we deny a market for New Zealand or Danish products, we are merely depriving those who would sell to us at lower prices the opportunity of using the proceeds of their sale to purchase other goods in Britain.

"If we grow vast quantities of sugar beet in Britain at a cost far in excess of the world price, we are preventing our would-be suppliers from securing the resources with which to buy from us.

"The question of the balance of payments does not arise at all in relation to uneconomic farm production, and to suggest that our government should write into international agreements the principle that home production must come first, regardless of cost, would be the height of folly."

The protection of farming, like the protection of industry, once established, must be continually propped up, even if only to achieve its original object. The degree of protection will be steadily increased until, in the case of agriculture, which is protected by subsidies, the government begins to boggle at the bill.

Concern was expressed last year at the size of the subsidy bill — some £450 million — and if the farmers have their way this will be increased by a further £60 million at this year's price review.

Such a demand should be resisted at all costs. If any further protection is given to agriculture, Britain will fast be approaching the situation in the United States (discussed elsewhere in this issue) where it is estimated that only one-third of the grain farmers now on the land are needed to supply all domestic requirements.

Subsidies and protection are bad things in themselves, whatever their real or ostensible purpose. That the recipients of the economic rent of land should be the final beneficiaries only strengthens the case for their abolition.

THE COMMUNITY'S BURDEN

EXAMPLES of the way in which governments have frustrated efficient enterprise by bolstering up the obsolete and incompetent are legion. The wastage of capital and labour resulting from such policies is matched by the restrictive practices in private industry . . . and by restrictive practices on the part of labour which no government and few employers have yet had the courage seriously to challenge.

— Professor G. C. Allen,
University College, London.

PRIVATE—KEEP OFF!

THIS problem . . . is not going to be solved by the Conservatives stealing Liberal policy to try to get votes, as Iain Macleod has done with his call to tax land values.

— Lord Byers