

Idiosyncracies of farming exposed

SIR Richard Body is a brave man; and this is a brave book. It will win him few friends in Whitehall or Brussels. Fearlessly and clinically, he takes on the agribusinessman, the Ministry of Agriculture, the chemical industry, the EEC and many others in this incisive study of the alarming state of our food and our countryside.

If ever there was a public issue which was truly politico-economic, it is the state of British farming. The whole public health question of the state of our food is an integral part of the politico-economic problem.

First, he shows how the current Common Agriculture Policy of the EEC hits hardest at Britain's poor, by inflating their weekly food bill by £16 per family.

Secondly, he shows how subsidies and fixed prices guarantee that supply will exceed demand and generate large surpluses which must be "dumped" outside the EEC at the taxpayer's expense. Not only is this appallingly wasteful, it also creates havoc in the economies of many Third World countries. Generally speaking, the less developed a country is, the more dependent it is on agriculture for its national wealth. The greatest practical aid we can give these countries is to buy their produce, which is mainly food.

However, the common external tariff of the EEC means that this food is required to be very heavily taxed, so as to render it uncompetitive in the common market. So, not only can these Third World farmers not sell to us, the most sought after food market in the world, regardless of whether we (the British consumer) want to buy from them, they also face unfair competition in the world market because the EEC sells its surpluses at below the cost of production.

Not only is this bad for international relations, it is bad ecology and bad economics as well.



• Where should the bananas be grown? Not in Scotland?

Richard Body, *Our Food, Our Land* (Rider: £15.99)

REVIEW by
IAN LAMBERT

Ploughing up the North Yorkshire moors to grow wheat makes no sense at all when there are other countries, such as Australia and the United States, much better suited to the growing of wheat and with huge natural surpluses to sell in the world market.

Thirdly, Sir Richard shows how this support of agriculture causes further market distur-

tions, by artificially boosting farmers' demand, for example, for fertilizers and pesticides, which in turn causes distortions in the demand for scientific research. (In 1973 British farmers spent £37.7 million on pesticides; by 1986 the cost had rocketed to £450 million.) This then builds up an enormous range of different businesses, such as the chemical industry, and research bodies, with a vested interest in keeping the CAP going.

Fourthly, Sir Richard shows how the support of our arable farmers inevitably hits our livestock farmers, who tend to be the smaller holders. About one third of all our grain goes to feed farm

animals. So a high cost of grain means a high input cost for livestock farming.

One of the most interesting passages in the book is an analysis of the period from the abolition of the Corn Laws to the Second World War, a period when arable farming was not supported and when dairy farming thrived in Britain. Since entering the EEC, Britain has been forced to impose a new set of Corn Laws, and seen the demise of the small dairy farmer and the advent of the agribusinessman.

Fifthly, Sir Richard comes to the nub of the problem. The British tenant farmer loses out because all these subsidies greatly increase the lucrativeness of agriculture, which in turn only serves to inflate the value of agriculture land, which has risen one hundred times in the last forty years! This creates an enormous entrance cost for anyone embarking on farming and must be the principal reason why, although agriculture is booming as never before, there are now sixty percent fewer people occupied in farming than was the case forty years ago.

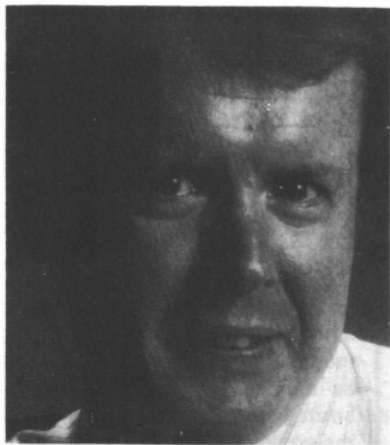
This is exactly as Henry George would have predicted, the monopolisation of land in private hands acting like a wedge and separating the rich agribusinessman from the poorer small holder.

SINCE the entrance costs are now so high, this puts tremendous pressure on the tenant farmer to increase his output, something which scientific progress has made possible through the use of fertilizers, pesticides, hormones and modern factory farming methods.

This then creates a treadmill, whereby advances in science enable land to become ever more productive, which only

pushes up rents and inflates land prices and creates ever increasing pressure on the farmer to make the land ever more productive. Forced to use ever more intensive and hazardous methods, the tenant farmer places the health of the public at risk. It really is as simple as that.

Quite apart from the fact that the dear old British farmer seems hardly to have been helped at all, in economic terms, at the end of the day, the sheer cost (the direct cost) of this insanity is truly staggering. In



• Ian Lambert

most of the years since Britain joined the EEC, the Government has paid out more in subsidies and other aid to the British farmer than the aggregate of all farm incomes for the year!

Put simply, it would have been cheaper for the taxpayer to support the farmer as if he were wholly unemployed, by paying directly to him his actual farm income for the year. (Sir Richard does not touch on the administrative costs, which hardly bear thinking about.)

The ecological harm caused by all this is already at frightening levels. Two hundred years ago Adam Smith commented that it would be perfectly possible, with the benefit of unlimited subsidies, to grow vines on the slopes of the Scottish Highlands. He considered this

to be economic lunacy and merely used it as an illustration of the benefits of free trade (in this case with France). What he did not comment on was the ecological consequences of providing economic incentives to people to grow vines in Scotland, since the example was purely hypothetical.

Today, alas, the examples are wholly actual. Twenty-five percent of the North Yorkshire moors, and twenty five percent of the English countryside as a whole, have been drained for the purposes of agriculture at massive expense and great ecological (as well as aesthetic) cost.

THE ecological costs are something which we need to consider. David Ricardo defined rent as the return for the use of the original and indestructible powers of the soil. But now we know that the soil is not indestructible; far from it.

Georgists will have to learn to accommodate the perishability of the land in a modern policy of land value taxation. I suspect it is this issue more than anything else which is the reason why Sir Richard is not a Georgist. He is concerned that land value taxation will not sufficiently discourage over-intensive use of farm land and the consequent ecological damage. Of course, free trade — truly free trade — would promote the best, and ecologically most sound, use of farm land internationally.

But the question remains how land value taxation, which by not taxing improvements to land would thereby promote them, would effectively discourage all disimprovements to land. This is a question which Georgists need to take more seriously than they do at present.

The Georgist reader of "Our

Continued on Page 60 ►

Food, Our Land' may be disappointed not to find in it any advocacy of land value taxation. Do not be deceived, however. Sir Richard is actually a land value taxer by another name. Having conclusively shown that all this aid only inflates land values, he recommends that it be drastically curbed.

Such a withdrawal of aid would effectively be a land value tax — and it is much more likely to be implemented, simply because it would never be referred to as a land value tax. In fact, the true rental value of agricultural land (disregarding all the aid) is very low.

A land value tax — one based on value, not area — would bear only very lightly on agricultural land, and much more heavily on under-used city and suburban sites. (This is at least part of the answer to Sir Richard's dilemma.)

In the end, however, this book is a little disappointing. The analysis of the problems is brilliant and incisive. It is far from empty rhetoric. However, the proposed solutions, which sensibly include a major restructuring of the Governmental departments, do not seem to go far enough and are unlikely to fire the reader into action. (Somehow, I just cannot see Sir Richard heading marches of the angry British public on Ten Downing Street demanding free trade and land value taxation). But, if politics is the art of the possible, Sir Richard is certainly a politician. His solutions are sensible and practical and they deserve to be taken seriously by all of us.

Sir Richard's is a lone voice. He needs our support; farmers and agribusinessmen do not. It is as simple as that.

Very unnatural to forget the non-polluters!

A NEW BOOK has just been published called *Costing The Earth* — for the second time in two years!

First time round, the book was edited by Ronald Banks and published by Shephard-Walwyn in collaboration with the London-based Centre for Incentive Taxation.

This volume was the work of a team of economists who estimated the annual rental value of Britain's land and natural resources — and recommended a tax on rent as the most effective strategy for conserving the environment.

The book was read by Francis Cairncross, the Environment Editor of the world-renowned news magazine, *The Economist*.

She decided to write a book, called — you guessed it, *Costing The Earth*. This has been published by Business Books at £16.99, a hefty price but worthwhile for the mass of statistical data and her analysis of ecological problems and how they might be resolved by governments and the market.

Ms Cairncross adopts the key principle of the inspirational *Costing The Earth*. She argues it would make more sense to switch taxes away from the incomes generated by labour and capital.

Governments, she



• Francis Cairncross



• Ronald Banks using the value of natural resources — such as the rivers and skies, into which they dump their waste.

But she fails to generalise her argument to encompass all users of natural resources, including those who are non-polluters. This is not an error displayed in *Costing The Earth* Mark I.

Adam Smith spelt out the terminology for this policy long ago, and it boils down to paying rent for the use of a natural resource.

In the limited case identified by Ms Cairncross, we are talking about the great "commons" that have yet to be effectively privatised.

But fear not. Shephard-Walwyn is about to publish a book called *Commons Without Tragedy*, edited by Prof. R.V. Andelson.

Hopefully, Ms. Cairncross will read that — and follow up *Costing The Earth* with her own *Commons Without Tragedy!*

IAN BARRON

advocates, ought to raise more revenue by taxing polluters:

"To raise more revenue from such taxes, and less from taxing income and capital, would be a far-sighted thing for a government to do. Most taxes are levied on things that are good for an economy. Governments get revenue at the expense of some economic welfare.

"Because income is taxed, people work a bit less hard than they otherwise might do; because capital is taxed, they have an incentive to save and to invest less than they otherwise might."

Ms Cairncross creates the risk of semantic muddle, when she focusses the alternative fiscal strategy in terms of taxing polluters.

What she is (correctly) implying is this. Polluters ought to pay for the privilege of