

Protectionism, Rent and the Dynamics of Agricultural Degradation

RICHARD BODY

HENRY GEORGE never used the word ecology, for which he is not to be blamed for the word was yet to be uttered in his lifetime. Were he with us today, I suspect the word would often be on his lips. He would tell us, I believe, that the ecological argument for free trade was no less strong than either the moral or economic one. That is my theme. Let me see if I can persuade you of its truth.

The protectionist barriers to industrial trade, whether in the form of tariffs or otherwise, are a shadow of what they were and, though they are inherently pernicious, I put them outside the argument. It is agricultural protectionism that is rampant and doing vast and incalculable damage to the economies of every country in the world, with Hong Kong, devoid of any farmers, the one exception. This is the protectionism that is ecologically damaging. There is a parallel between the economic and ecological cost of agricultural protection; as one rises, so does the other.

In Scotland there are many rugged mountains, though they call them hills, and nothing is grown upon them. They are the habitat of the wild red deer that gain some sustenance on the lower ground below the barren rocks. Of all these bleak points, Ben Nevis may be the bleakest, where snow settles most of the year and the cold winds blow in all seasons. Yet even on Ben Nevis, the people of Scotland could grow thousands of bananas, and even export them to Jamaica and Ecuador or any other corner of the world where there is a surplus of cheap bananas that cannot be sold.

Allow agricultural protectionism to divert enough money from

efficient industries by way of taxation, and hand it over to inefficient banana growers on Ben Nevis, then any difficulty in either growing or selling them can be overcome.

Of course, it is absurd, but let me spell out the absurdity to show what I mean. First, you collect great quantities of earth and carry it to the slopes of Ben Nevis; next you construct elaborate glass houses; then install central heating and, finally, plant your bananas. All this might cost many millions of dollars; never mind, the taxpayers have been coerced and the money is there. Eventually a crop is grown; perhaps no more than fifty or a hundred are fit to eat; again never mind, the economic cost may be a million dollars a banana, but the money is there to subsidise their sales, and over in Jamaica where a banana costs a dime, we can sell them at just a little less with a generous enough export subsidy.

Absurdity is only a matter of degree. In England we could buy wheat from the world market at £50 a tonne or thereabouts. The Common Agricultural Policy prevents us from doing so; instead we have ploughed up a quarter of the North Yorkshire moors where once not even sheep were kept, and only the grouse were to be seen; and having drained and fertilised the ground at vast expense and built new roads to carry the farm machinery up to the moorland heights, we are growing wheat on some of this land. It sells for over twice the price of wheat of far better quality that can be imported at £50 a tonne. The difference between the two prices exists because the wheat that costs £50 a tonne is grown on a farm that is naturally suited for the purpose and the wheat costing over £100 a tonne is extracted from a soil and climate that manifestly is not naturally suited to the growing of wheat.

To any Georgist this is painfully obvious. Wheat should be grown where nature has indicated that it should be. Monetary cost is the indicator.

Let us see how this monetary cost is made up. The first requirement of a farmer is land, and the cheaper he can buy it or rent it the better for him; but only in conditions of universal free trade will the monetary cost of the land be governed exclusively by its quality. Once protectionism creeps in the price becomes distorted: it goes up in value if protectionism begins in the country where it is, and its value goes down in a country exporting without protectionism.

What has happened in the United Kingdom would have interested Henry George. It is not very difficult to calculate the total sum of money that has been given to agriculture either directly in subsidies by the Government and EEC or indirectly by artificially high food prices paid by the consumer for each of the years since a system of guaranteed prices began after World War II. Each year's figure ought to be adjusted to allow for inflation. Adding up the figures we have a total of £70,000 millions.

Now let us see what has happened to the price of farmland in the same period. We have five grades of land and in respect of each we can look up the record for farm sales just before the system began. Again, we must make adjustments for inflation so we express them in the current value of the £. That done, we look at the value of the land today. We next take the number of acres that exist for each of the five grades of land and multiply by the value of each acre. A simple subtraction of one total from the other gives us the sum of money by which the value of farmland has risen over and above the value of inflation. Can you guess the answer? Were Henry George here now, he could raise his hand and say the answer was £70,000 millions. Indeed, it is.

Now when some time ago I did these sums, I shouted 'Alleluiah!' I thought I would become famous, having discovered some new economic truth which would be called Body's Law. It was not to be. David Ricardo long ago had said it all in his *Theory of Rent*. It comes to this: if the state artificially raises the price of a product, the value of the asset that produces it will rise to a level that nullifies the advantage gained by the producer.

Ricardo was writing about the Corn Laws in the first decade of the 19th Century England. He showed that if you tax imported wheat to raise its price to protect the farmer, the price of land — i.e. rent — will go up and continue to go up until it wipes out the benefit to the farmer of taxation. The beneficiary is a man who owns the land.

Monetary cost, as I said, is the indicator of where nature decrees something should be grown. It follows that protectionism will foul up the cost. By artificially raising the value of farmland, it puts up the rent that has to be paid. The more protection that is given, the more rents go up, and the more rents go up, the more the farmer must persuade his acres to yield a larger crop.

In days gone by this could not be done. At best, only a marginal increase could be gained because we did not know how to increase yields. The sciences related to agriculture have changed all that; amazing advances have been made, and today yields may be two, three or four times more than they were. Thus if rising rents or mortgage costs force farmers to try to increase their production, means are there to enable them to do it. These means have an economic cost measured in monetary terms, but they also have an ecological cost which is not so easily quantifiable.

Soil erosion is measurable however; and when farmers are forced by unfair competition or goaded by subsidies to increase their yield, soil is invariably lost to a degree that cannot be replaced naturally. In recent years Australian wheat growers have seen their price driven down to £45 a tonne as a result of the EEC dumping wheat on to the world market at a price even lower than that. So they have flogged their land to such an extent that to grow one tonne of wheat they may lose up to thirteen tonnes of soil. Yet there are great areas of Australia capable of growing wheat at the lowest economic cost and because land is cheap there, the farmer need grow no more than half a tonne to the acre to earn a good livelihood; but that supposes he faces fair competition. With land at only a few dollars an acre, such an Australian farmer has his first requirement for the production of food or fibre at so favourable a cost that he has no or little need for nitrates and pesticides, both of which can do great ecological damage. He can afford a low input to low output system. The more he has to raise his output, the greater will be the need for additional inputs. These are primarily artificial fertilisers and pesticides. Thus the higher the input to output ratio the greater the danger of ecological harm being done by those two inputs.

High levels of output also require the farmer to make more economic use of his land. Some people may see no harm in that. What, then, do you think of the farmer who fells all his trees and rips up all his hedgerows because they take up space which could be used for growing a crop? In making more economic use of his land he is also tearing away the habitat of the wildlife and changing the scenery of the landscape for the worse — unless one thinks trees are ugly things.

If the world's population can be fed on a universal low input to low

output ration, it would be economically sensible to do so because the cost of production would obviously be lower, as would be the cost to the consumer. We would also be growing our food and fibres in those areas where it was most economical to do so, for the elements of nature — the soil, climate and terrain — had decreed that those areas were naturally the most suitable for the purpose. This ideal requires a policy of total free trade throughout the world. It means, of course, that nature is on the side of free trade. Such a low input to low output system prevailing in the world ensures that our supply of food and fibres comes in a way which make the least demand upon our land — and here I use the word 'land' as Henry George would, in its wider sense, in other words, upon our natural environment.

Once we start to produce our food or fibres in areas that are not of the lowest economic cost, we artificially raise the input to output ratio so that we begin to use inputs that would otherwise be unnecessary. Their purpose is to induce the land to yield more than it does naturally. And what is against nature, we can be sure, is ecologically damaging.

With manufacturing or any other industry, except fishing, which is comparable to farming, we can increase production by raising the input to output ratio without necessarily doing any harm ecologically. This cannot be the case where we increase the production of food or fibres because the increase in the inputs needed to raise output act as agents to direct the course of nature.

In conditions of complete free trade food and fibres are grown at the lowest economic cost; and this means at the lowest input to output ratio that is necessary to enable supply to match demand. The greater the degree of agricultural protectionism, the more the economic cost of production rises, and with it the input to output ratio.

Every time the input to output ratio is stepped up artificially by agricultural protectionism there is a change of venue for some form of production; and the diversion must be from a natural to a less natural venue. The consequent change in the level of inputs must with agricultural protectionism be always upwards. This diversion will take two forms: fewer inputs will be used where they can be made most effective and used instead where they are less effective; secondly, a greater use of inputs will be required, and more of them

will therefore be extracted from nature. The latter is of major importance. Many of them are natural resources which are finite. Thus agricultural protectionism goads us to use up finite resources more quickly than would otherwise be the case. This is a cause for concern unknown to Henry George; for in his day the inputs used by agriculture were replaceable and infinite. Let us spell them out.

Energy came from human labour and equine effort. Man and horse did the work, and most farm machinery was simple and replaceable without damage to our natural resources. The horse has gone and man's muscle is almost incidental. Oil has taken over. Total energy consumption for the United Kingdom is, in round figures, 200 million tonnes of oil or oil equivalent annually. Sir Kenneth Blaxton of the Rowett Research Institute has calculated that the production and processing of our food uses 26% of that figure. It represents about one tonne of oil to one acre of our cultivated land. It also represents a sixteen fold increase since the days of the tractor. It does not mean that we should scrap all our tractors and combines and breed a million horses to take their place; but, as agricultural protectionism always has the effect of inducing us to grow more than we need and in the wrong places, the consumption of this finite resource is made greater than it should be.

Then there are the artificial fertilisers. The more we are induced by protectionism to produce food in less suitable places, the greater the need for these inputs. Nitrates come from oil and we in the UK have quadrupled our use for them and thus added to the depletion of a natural resource. They are not used, and need not be used, by hundreds of thousands of farmers who have the soil, climate and terrain to grow food with a low input to low output ratio — that is, if the rest of the world would allow it. Phosphates, also used as artificial fertiliser, are being extracted from the earth at a rate so fast that this precious finite resource will be exhausted in the area where we know they exist. What happens then? There may be a case for using these artificial fertilisers that stimulate production in countries where hunger prevails, and they are the poorest countries of the Third World. How can they afford to pay for them when the comparatively rich farmers in the protectionist countries of the West outbid them? Free trade would have the effect of naturally restricting their use to where they would be most cost-effective. Then there is that other

weapon of modern agriculture — the pesticide. The modern farmer in the protectionist economies has got himself hooked upon this form of poisoning. And pesticides are nothing unless poisonous. By definition a pesticide kills pests.

The pests killed are of thousands of species, mainly of course insects and those herbs that farmers may call weeds. Yet they all have a place in ecology. What is a pest to the farmer is — not may be — a food for another creature in nature's world. Since that great American writer, Rachel Carson gave us *The Silent Spring*, there has been no serious dispute about the danger of pesticides. Birds by the million have died from their use. The otter in England has become virtually extinct; for we now know that man's poison sprayed upon the crops has percolated into the rivers to enter the fish and the poison has passed into the otter. Nature's world is in balance. Every single part of it has either life within it or is a source of life for a living creature. It is one vast predatory system; and even every atom of the human body will have a predator at some stage. Predators, even the imperceptible microbe, keep nature's world in balance; and given the chance make it ecologically infinite.

Today's man rushes in with his pesticides, incapable of comprehending the endless catalogue of consequences. Of course, he does it on this scale for one reason only. The accusing finger must be pointed at agricultural protectionism. By now it must be clear that in conditions of universal free trade, the minimum input to output ratio would exist, and therefore the fewest number of pesticides would be used to poison the earth.

I have said nothing about the destruction of the rain forests, and only hinted at the loss of ancient woodlands and thousands of miles of hedgerows, as has been the case in England. Nor have I told of food processed from our animals. This brings us to the use of hormones and antibiotics, both necessary in modern animal mass production. Surely there is no need for me to overegg the pudding? The argument must be irrefutable.

Protectionism distorts the natural flow of trade — that is its purpose. Production is increased where it would not be if nature had her way; and it is increased where it would not be, also if she had her own way. The factors of production are forced to change with protectionism; and of the four that economists speak about, land,

capital, labor, and enterprise, the ecologist says land is the most precious. And who dares contradict him? Because it is precious, we should use it carefully — and that means ecologically. To use a word sadly out of fashion, we ought to be good husbandmen. As land includes all our natural resources, we should husband them by using them, particularly those that are finite, to the most effect. That implies matching the supply of food with its demand by a ratio of input to output as low as we can make it. That can only be achieved by free trade among all nations. True, that may be an impossible dream for some years to come. But at least we can strive to attain it, and in so doing set an example for those who fail to understand it.

Free trade makes sure that production, whether of food or of anything else, takes place where the four factors of production blend effectively with the maximum cost. In any form of production where land — in its widest sense — is an important factor, regard must be had for its right use. As it can not be ecologically right to use land wrongly, it must follow that in agricultural production, which is more dependent upon land than any other, its right use is of the greatest concern. The more a farmer is goaded to take more from his land than it can yield naturally or is prevented from taking as much as it can do so naturally (and both are the consequences of agricultural protectionism) the more land is wrongly used. Nature's resources are accordingly diverted artificially by state coercion.

Thus the more the natural flows of international trade are messed up by agents of state control, the more nature herself is messed up. Messing up nature is my term for the gratuitous and unnecessary damage to our ecology.