

by the demand for the factor and its supply." Suggesting that the first man was an entrepreneur.

It permits him to label a chapter "The Value of Money," and to state that "Capital has been defined as wealth employed in the production of further wealth. It would be in keeping with this definition to count land as capital, as some economists do." Yet, later, he can say: "It is, perhaps, best to restrict the term 'capital' to producers' goods."

It permits him to write a fascinating collection of fatuities on "The Trade Cycle and Full Employment," such as this: "various explanations have been offered to explain the trade cycle, but no single theory is generally accepted. There are many causes of the trade cycle . . . Some writers attach little importance to real causes!"

Hesitant Reformers

By R. C. GRINHAM

"WHEN THE SUBSIDY (for agriculture), now some £350 million a year, has grown to account for almost the whole income of the farming community, it is time to take stock and to reconsider the price being paid for the alleged non-economic advantages of subsidising farmers who cannot cover their costs." So writes the editor in the preface to a recent Hobart Paper entitled *Farming for Consumers*.^{*} Few people would disagree with him—even the Government is having to do some thinking about it.

In the course of the booklet the authors range extensively over the whole field of agricultural marketing, and also take a brief look at the economics of agricultural production.

The present marketing set-up is examined critically, particularly with regard to the activities of the statutory marketing boards and the workings of the guaranteed price system. "The function of a marketing organisation" say the authors, is "to transmit consumer preference back to the producer," and this is exactly what the boards are not able to do. For instance, a guaranteed price for milk and the Milk Board's commitment to accept every gallon of milk produced means that production may increase well ahead of real demand. Recently the Milk Marketing Board has been spending over £1 million a year on advertising in an attempt to sell surplus milk resulting from its own policies.

The Egg Marketing Board, by removing competition between packing stations, encourages the uneconomic geographical distribution of egg producers, which results in a poorer quality product. The fact that about 40 per cent

On the credit side it may be said that the book offers value in its final chapters—those dealing with International Trade, Free Trade and Protection, Money, and Taxation—not for any opinions offered by the author, who leans over backwards to be strictly impartial, but in the exposition of standard arguments for or against established practices, from which the intelligent reader should be able to draw conclusions which will at least cause him to have grave doubts as to the validity of "modern economics." As, for instance, this comment on the national debt, in the chapter on taxation: "In this case, interest payments are merely transfers from taxpayers to interest receivers, and so the total wealth of the country as a whole is not affected. There will, however, probably be a tendency for inequality of incomes to be aggravated."



of eggs produced are now sold, legally or illegally, outside the Board, suggests that the farmers themselves would prefer their freedom. As the authors point out: "The recent overwhelming defeat of a former chairman of the Board, Mr. W. J. Welford, by the anti-lion farmer Mr. Alfred Peppercorn, cannot be interpreted as a vote of confidence in it."

The authors examine the efficiency, the record, the status and the effects of marketing boards and come to the conclusion that they are not only unnecessary but positively harmful.

What do Mr. Hallett and Mr. James suggest as an alternative? "The correct policy," they say, "is to reshape the structure of the British agricultural industry rather than to perpetuate it by artificial means." This is fine, but their own approach to the subject in this booklet is rather half-hearted. Like all modern economists, they are really statisticians, marketing experts or business managers rather than scientists, and, in the manner of all modern economists, they approach their subject from the wrong angle.

Instead of devoting so much time and space to determining the best way to market what food is produced, would it not be a better idea to start at the beginning and determine whether that food ought to be produced (in this country) at all?

This the authors appear disinclined to do. On the very first page they state that "It may, indeed, be questionable whether the state is justified at all in altering agricultural incomes; whether the community owes farmers a living; whether uneconomic farms should not simply be allowed to go out of production." There's no "may" about it; it is questionable, and these are the sort of questions Dr. Hallett and Mr. James ought to be considering, not "The Functions of Agricultural Marketing."

^{*} *Farming for Consumers* by Graham Hallett and Gwyn James. Hobart Paper No. 22. (Institute of Economic Affairs, 6s.)

Having devoted seven chapters to the problems of marketing, the authors conclude that "The maximum possible improvements in marketing will do very little to solve the economic problems of a forty acre Welsh hill farm; its problems are probably insoluble." The problems of making a basically uneconomic farm pay must always be insoluble!

When they finally get down to it, the authors remark rather timidly that "Whether British agriculture and horticulture should be protected, and if so to what degree, is a largely political question beyond the scope of economists *qua* economists, but as students of agriculture . . . our opinion is that the protection given to many agricultural products has been excessive and should be reduced . . ."

"Reduced," but not "abolished," and yet the presence of protection in whatever form is the primal cause of the problems which the authors have set out to examine in this booklet. "Is the guaranteed price system an effective instrument for achieving optimum food production," they ask. There is only one way to achieve optimum food production—a completely free market. Every criticism which the authors make of present food marketing and production relates to some feature artificially introduced by interfering with the free market.

Dr. Hallett and Mr. James seem unwilling to admit this. In one hopeful passage they go so far as to say "We do not believe that British farmers want to be protected, neither do we believe that they *need* to be protected from unfair competition, *provided that they are given the economic environment within which they can operate to the best of their ability.*" What does this last sentence (my italics) mean but free trade?

However, this is not what Mr. James and Mr. Hallett mean by it. "Inefficient producers, whether their trouble is bad management or uneconomic holdings" they say "must be induced to leave their farms." "The lead must come from the Government." They suggest that the Government should offer all inefficient farmers a life pension if they will give up their farms. The total cost of this scheme will be a mere £1,200 million. But, say the authors cheerfully, "It is better to spend £40 million a year for a specified period, at a total cost of £1,200 million, in order to solve a problem, than to pay over £360 million a year *ad infinitum* to perpetuate it."

That may be so, but that is simply not the choice before us. The "problem" can be solved immediately, and at no cost at all, by simply abolishing all subsidies and grants, removing all import restrictions and opening up a free market. What need is there to do anything else?

Reprinted from The Free Trader Autumn, 1963

FORM OF BEQUEST

I bequeath, free of duty, to the United Committee for the Taxation of Land Values, Limited, the sum of £



UNTAPPED RESOURCES

By Peter Rhodes

HENRY GEORGE'S AXIOM that "man seeks to satisfy his desires with the least exertion" is the key to nearly all aspects of human behaviour. It is this motive force, to avoid unnecessary expenditure of energy, which drives the market machinery. It is this force, which in a free economy leads to a flow of ideas, that eventually results in improved goods and services. Ideas form the bloodstream of economic life. Without new ideas to vitalise the body economic there could be no progress in the material sense. It is inescapable, therefore, that from the standpoint of functional efficiency it is in the interests of society to ensure that the social atmosphere is conducive to the formulation of new ideas and that there is no impediment which prevents new ideas from taking a material form.

To those of us familiar with the problems of implementing economic ideas it is no secret that between conception and implementation the path is full of difficulties. These difficulties fall into two separate fields of combat: the battle to overcome the deficiencies of established means of communication, and the battle against the opposition of vested and privileged interests. At the core of both battles we find the obstacle of man's inherent conservatism. People do not like change, however subtle it may be.

In a recently published book,* Mr. P. Clavell Blount draws attention to the wasted talent which results from an inability to make the most of our national idea potential. This wastage, on account of the difficulties already mentioned, has been the author's inspiration in a twenty-year-old battle to establish in this country a national organisation similar to the American National Association of Suggestion Schemes. The author's contention is that many people of limited status are in a position to aid productivity in industry and efficiency in government by putting forward valuable ideas and suggestions. Some organisations, aware of this potential, have created communicative channels to encourage the flow of ideas from the lowest denominator in the structure to the highest levels of administration. There is, however, room for much improvement, both in the organisation of existing schemes and in promulgating new schemes where none at present exist. This work, carried out in the United States by the N.A.S.S., a national co-ordinating body, is sadly neglected in this country despite persistent efforts

**Ideas Into Action*. Clair Press, 25s.