

# Free Enterprise For Farmers?

by WOODROW WILLIAMS

THERE is little doubt that farming is in trouble. Ever since the change in administration last November there has been speculation as to what kind of program would be offered to follow the Feed Grain Act of 1965. It is generally acknowledged that if there were no government subsidies many farmers, and certainly the small ones, would be in severe straits. A fair percentage might survive, but that is debatable. A sudden cut in supports would also be a blow to the economy, since farmers provide a market for machinery, tires, oil products, etc.

In 1953, when it was thought that the farm program would be cut, land prices took a tumble, but when expedience prevailed, with the subsidy continuing, prices recovered. The Benson plan, or soil bank, which filled the Liberty ships with wheat and the storage bins with corn and other feed grains, and which really subsidized the speculators, has remained in effect ever since.

Under this program farmers are paid to retire from production a portion of their farms. They also become eligible for price support payments on what they do raise, and for low interest loans which enable them to hold grain for a later and possibly more favorable market. Those who do not participate are likewise benefited, because prices are raised above what they would normally be. An innovation embodied in the 1965 law reduced the "wind-fall" benefit to the non-participant by allowing a portion of the support price to be paid in cash. He was then eligible for a non-recourse loan for the rest. The livestock farmer has been helped as well, since he received direct payments even though he used his grain for feed, and the program al-

lowed for a lower free market price where he had to buy grain for his herd. This was a variation of the Brannon plan proposed twenty years ago but never adopted, except in the wool and sugar beet programs.

Most farm group leaders want to extend the present program with some "improvements." No matter what is changed about it, the big operators and Farm Bureau members will benefit most. No one knows what percentage of these members are really farmers, but a great many "owners" qualify for various insurance schemes. It should be noted that more than half the land under cultivation is being farmed by those who *do not own it*.

The Farm Bureau, in a new phasing-out approach, now contends that we should return to the free market system and work out of payments or subsidies gradually while eliminating all allotments or quotas as requirements for benefits. A massive land retirement plan is also being proposed where farmers will be paid to leave their entire farms idle while they retrain for non-agricultural jobs. By removing from production 50 to 70 million acres, it is claimed that the ordinary market system will guide the farmer in choosing what he should plant, so that former controls or subsidies will not be necessary.

There is some apprehension however that this might cause a further increase in the price of land, so a few people may be aware that the ultimate beneficiary of any program is the landholder. In neither the plan in use nor the one proposed is there any attempt to deal frankly with the effects on land prices and the cost of imports. Everyone knows that government support of farm prices has been a factor in boost-

ing land prices. Some of this rise is accounted for by increasing population, the spread of cities into suburbia, building of better roads, and other things.

Domestic prices are being held above the world price, and that means that imports are attracted, except where they are inhibited by tariffs, trade agreements and the "voluntary" restraint of exporting foreigners. The Farm Bureau has not declared itself on this issue but a good many of its members seem to be quite protectionist. When they propose a completely free market with no subsidies or quotas they are saying, rule out tariff restrictions of every kind and let the chips fall where they may. Such a drastic step could hardly be favored by the majority who, while granting that the goal of a free market is a correct one, would prefer to approach it gradually.

But what is truly the "free market" way out of the dilemma? For the farmer to survive in a free market his returns must be higher than his expenses. Thus if government subsidies and tariff protection are removed it is obvious that some way must be found whereby his expenses can be reduced. It is easy to brush this aside with the suggestion that he must become more efficient, yet American farmers are among the most efficient producers in the world, and still they seem more helpless than ever.

For the farmer his first cost, the land, is his greatest expense. In my area, Northwestern Ohio, rental arrangements are generally on a 50-50 basis—the landholder provides the land and shares half the expense of seed, fertilizer and other expenses. The operator supplies the work and the capital (machinery and tools) plus the other half of the seed and fertilizer. It should be clear, then, that the cost of land will take nearly half of the production. And for the farmer who

A letter to The Washington Daily News from 10½ year old Dawn Cissel, asks, "why is the government stopping the farmers from growing food while a lot of the people in the United States and other countries grow hungry?" This was captioned by the editor, "Does anyone have an answer?" We asked Woodrow Williams, a farmer, who was present at the Georgist conferences in Wales and Chicago, to try to explain the onerous farm program and to consider the results of the proposed elimination of farm subsidies.

"owns" his land, he has simply paid his rent in advance, or, more likely he is paying considerable interest on a mortgage. And yet a drive through farm country will show acres and acres lying fallow under the government program. If land is in such *surplus* it is strange that the price is so high.

Excessive property taxes are alarming, hence the agitation to broaden the tax base. It is said that holding of real estate no longer reflects ability to pay (if it was ever supposed to). So a movement in the direction of income taxes, sales taxes and so on, began thirty or forty years ago. Actually the first income tax was levied during the Civil War, and many of the various excise taxes had their start then too at the federal level. The government had not used the general property tax to any extent since the days of the Articles of Confederation, until it was put to use during the war. A few states began to use the income tax by the turn of the century.

A shift in assessment practices regarding the property tax was also observed along with a growing tendency toward the ability-to-pay philosophy. Thus land that was idle tended to be undervalued, while improved land tended to be valued at a higher percentage, on the theory that the owner of the improved property had more ability to pay. After World War I many states turned to excise taxes in

wholesale. The gasoline taxes came first in the early twenties, then cigarette taxes were followed by sales taxes, widely adopted after the depression. With local governments so heavily subsidized from state collections of these sources of revenue it should not be surprising that their influence has eroded so badly.

What about the tax on land? It might seem that this contributes to higher prices, but we must consider the tremendous amount of vacant city land as well as the 42 million acres of "conservation reserve" in the farm program. What if the tax on all land were doubled? This increase would be felt by the owner of land in use—but it could not increase the cost of "unused" land, because there is no user. It would only make it more expensive to hold and might actually bring the price down. As for the user, it is doubtful that he could be made to pay more rent, because he likely is paying already all the "owner" can get.

The tax on highly improved land is nominally a small percentage of the over-all tax. It follows then that increased revenue from vacant lots and bare land should make it possible to

reduce the tax on buildings, machinery, sales, incomes and so on. This double-edged sword against inflation would help hold down the price of land and at the same time bring down prices on produced items.

The ramifications of this idea run deep. History shows that our social problems have greatly increased as taxation has shifted from revenue on land to the present one (widely) based on production. As blighted areas in cities have increased there has been, in spite of alleged affluence, an ever increasing demand for farm relief in rural areas.

Long ago in Egypt the Hebrew people became slaves when they lost their land. As they dreamed of the day when each would sit under his own fig tree, a Mosaic law was set up (the year of the Jubilee, Lev. 25) providing for redemption of the land and freedom for slaves at the end of fifty years. Their admonition, "proclaim liberty throughout all the land and to all the inhabitants thereof," is significantly inscribed on our Liberty Bell in Philadelphia. Perhaps it is time to re-examine the principles and land policy of Moses and to free our economy from the shackles of socialism.

A SERIES of short LVT messages prepared by Steven Cord for a publication which reaches 14,000 legislators and administrators, has brought encouraging inquiries. This series in the *Pennsylvanian* will be continued and will offer a different graded tax proposal each time.

Steven Cord, professor of history at the Indiana University of Pennsylvania, received the first annual scholarship of \$500 offered by his university to the faculty member who published the most work of a scholastic nature during the past year. His articles, convention papers and a book were mostly on Henry George and land value taxation.

One of Mr. Cord's graduate students, Thomas Miller, brought in the following dialogue from *The People, Yes*, by Carl Sandburg. It pertains to land ownership, says the prof and "fits well with the Henry George philosophy."

"Get off this estate."  
 "What for?"  
 "Because it's mine."  
 "Where did you get it?"  
 "From my father."  
 "Where did he get it?"  
 "From his father."  
 "And where did he get it?"  
 "He fought for it."  
 "Well, I'll fight you for it."