

LAND & LIBERTY

MONTHLY JOURNAL FOR LAND VALUE TAXATION AND FREE TRADE

Sixty-Third Year—No. 740

4 Great Smith Street, London, S.W.1

January, 1956

Marketing Boards Come Under Fire

The monopoly powers and practices of the Potato Marketing Board established last year have come under criticism in the press and in Parliament. A recent leading article in the *News Chronicle* read in part as follows:—

"This country is already sufficiently hag-ridden with secret courts and Star Chambers. If they concerned nothing but the mink coat industry they would still be bad: operating with dictatorial power in the potato market they are iniquitous . . .

"The astonishing fact about the marketing scheme, rushed through both Houses just before the General Election, is that Socialists and Tories united in acclaiming it. In the House of Lords the Liberal peers were alone in denouncing it.*

"Under the ægis of the National Farmers' Union, the Board was granted autocratic powers over everybody else in the potato industry. It created a private monopoly in the strictest sense of the word.

"The Board became a court in which it is both judge and prosecutor. It can fine the farmer up to £200 or £5 an acre, whichever is the larger, and there is no one to whom the farmer can appeal.

"We cannot rail against nature for producing a lean crop. We can and do protest against the whole system underlying the Potato Marketing Board. The fact that both the Tory and Labour parties acted as midwives at its birth does not concern us: it remains, in our view, ill-founded and unjust."

Potatoes in Parliament

In Parliament the following day there was an interesting exchange between the Minister of Agriculture and the Liberal Member for Huddersfield, Mr. Donald Wade, who asked: "Does the right hon. Gentleman approve of the artificial restriction of acreage by the Potato Marketing Board? Will this not lead to further increases in price, with the result that consumers, on whose good will the producers ultimately depend, will eventually regard potatoes as a luxury which they cannot afford to buy? Mr. Amory replied: "The answer to that is that the Potato Marketing Board has been approved by Parliament . . . its operations have the approval of Her Majesty's Government and Parliament."

A written ministerial reply published a day later threw further light on the extraordinary position which has now been reached with regard to potatoes. Mr. Amory was asked whether, having regard to the then prevailing shortage of potatoes, particularly the kind used by fish friers, and the consequent increase in prices, he was satisfied that it was desirable to permit supplies to be imported. Very briefly, the Minister wrote that the matter was receiving "urgent consideration."

* The Labour Peer, Lord Douglas of Barloch, also spoke against the proposal. See *LAND & LIBERTY*, June, 1955.

What was there for him to consider? The sensitive "pocket nerves" of cossetted British farmers? The wishes of the N.F.U.? Foreign potatoes were then reported to be relatively cheap and plentiful, and people in this country wished to buy them. Surely that should have been decisive? Have the Minister and his department nothing better to do than to prevent people from getting food?

Egg Monopoly Proposed—

The National Farmers' Union, sponsors of the Potato Board, are desirous of extending their monopoly grip on the larder to eggs and poultry. This is what John Gordon, the well-known *Sunday Express* contributor, had to say in his "Current Events" feature on December 18:—

"Spare some of your wrath for another monopoly in the making. It is the prospective Egg Marketing Board devised by powerful Sir James Turner and the other big boys of the National Farmers' Union. What's their proposal? That all egg producers, except the backyard variety with fewer than 25 hens, will be compelled to sell their eggs only to the board, or its agents.

"In other words, free competition will be eliminated so that the monopoly, when it wishes to do so, can hold the price of eggs at a higher level than it would be normally.

"How will the monopoly enforce control? In the same way as the tyre monopoly works—by secret courts with power to impose fines up to £200. So we shall have a new bureaucratic army of egg inspectors, moving like ferrets up and down the country prying everywhere.

"Remember what the other farming boards have done for us? The Potato Board limited the amount of potatoes a farmer could grow. Now we are in potato trouble. The Milk Board got into milk trouble and to extricate itself gave farmers the order 'No more cheese.' In due time some Egg Board functionary finding himself in trouble with his figures will no doubt order the hens to ease up on laying eggs. The final day for lodging objections against this plot is next Tuesday. I hope there will be a national howl in support of the Poultry Association, which is fighting it."

—And Thoroughly Attacked

John Gordon's hope was amply realised. The Ministry of Agriculture announced on December 28 that by the specified closing date, 702 objections and 201 representations had been received. Of the objections, 21 were from national organisations, a few from local organisations, and the rest from individuals or groups of individuals.

According to the *Manchester Guardian*, December 30, this was the most thorough-going attack on a scheme of this kind since the end of the war. A public inquiry would be held and the fate of the proposed scheme was in serious doubt.

It was disliked by many producers; it was hostile to the declared intentions of the Government to limit arbitrary tribunals; and, at last, the full implications of such arrangements had been made public by amendments. Catering interests, auctioneers, the Liberal Party, the Cheap Food League, and many shopkeepers and housewives were reported to have protested against the scheme.

We understand that at least a hundred objections were submitted by members of the Land-Value Taxation League. Some members organised local petitions; many others helped to create public sentiment by writing to the press. For instance, Mrs. F. G. Sumner, of Blackburn, wrote to seven Lancashire newspapers.

The Scheme Critically Explained

One of the most informing letters was that from Mr. J. H. Austin, of Edgbaston, published in the influential *Birmingham Post*, December 12. The following are extracts:—

"A new monopoly may shortly be foisted upon the British public. This time the commodity is eggs. A disarmingly written pamphlet from the offices of the National Farmers' Union and its Scottish and Northern Irish counterparts has recently proposed the setting up of an Egg Marketing Board, to consist of 17 members elected by registered egg-producers and four appointed by the Minister of Agriculture.

"The functions of the Board are defined in 93 paragraphs, the most important being the following: Prohibition of the sale of eggs except by registered producers (excluding those owning 25 birds or less) (paragraph 60); regulation of price, description and quality of eggs, which may be sold 'only to or through the agency of the Board,' and under conditions prescribed by it (63-67); reception of 'estimates, returns, accounts' and other paper work from producers (70), which are compulsory and which will necessarily add to the price of eggs; the acquisition and selling or hiring to registered producers 'and other persons' (*sic*) of 'anything required for the production, grading, packing, storing, adaptation for sale, transport or sale of eggs' (72D), a clause which could evidently foreshadow the creation of a vast trading monopoly with eggs at the centre.

"The Board will appoint inspectors, who will have the right of entry to the premises of registered producers without a search warrant (76). Producers will contribute to its funds (77), but, of course, the cost will be passed on to the consumer. So too, no doubt, will the cost of the numerous 'offices and other premises' which the Board proposes to open throughout the United Kingdom, and the cost of staffing them with 'a secretary and such other officers, servants and agents as they think fit' (6).

"A Disciplinary Committee will be set up, consisting of 4-6 members of the Board and an independent chairman, which will meet in secret and be authorised to levy fines of up to £200 for contravention of the Board's regulations (80). The only appeal against its decisions is to an arbitrator appointed by the Minister or agreed between the producer concerned and the Board (92).

"Under the agricultural Marketing Acts, 1931-49, such a scheme must be formally submitted to Ministers by the unions concerned; the Ministers must gazette it and allow at least six weeks for objections to be lodged. If any serious objections are made and not met, the Ministers must direct the holding of a public enquiry . . .

"The Monopolies Commission itself has just laid down the principle that a 'system under which identical prices to the consumer are collectively maintained is against the public interest'; and here is an opportunity to strangle a monopoly at birth."

Monopoly Marketing in Australia

Practical testimony to the harmful effect of marketing boards comes from New South Wales. The *Sydney Century* in a recent article remarked: "The idea seems to be that every trade should be licensed. That means that the Government sets up a new Board or tribunal. The Board then controls the number of licences to be issued. Then the way is wide open for establishment of combines. Poultry farmers are licensed. That has meant an Egg Board. The result is that eggs are dearer in New South Wales than anywhere else in the Commonwealth. Dairy farmers within the milk zone are licensed. They have to see their milk through the Milk Board. That again means the dearest milk in the Commonwealth . . . The primary function (of the Boards) is to regulate the number of outlets. That again means the creation of monopolies. It leads to elimination of competition and invariably higher costs to the general public." The article (reprinted by *The Standard*, Sydney, December issue) lists a selection of 28 other similar boards, which the Cahill Government is intent on augmenting.

London Transport Fares Increased

Further increases in public transport fares in the Greater London area came into operation on December 18, for London Transport road services, and on January 8 for British Railways services for thirty to forty miles around London. Depreciation of the currency is responsible, but officially such bluntness is avoided. Thus in a statement issued on December 5, London Transport cited the 14s. a week wages increase granted in October, and increases in the price of coal and other commodities. Naturally the L.T.E. is concerned not with the reasons why its operating costs have risen, but in meeting them. The higher fares are expected to yield £4 million a year, leaving more than half a million pounds to be met by effecting "economies in operation." It is pertinent to point out, however, that the bus crews demanded higher wages solely in order to combat to some extent the effects of inflation on their living standards, and that the price of coal and other commodities is due to similar action by workers in other industries.

Pensioners Suffer: Landed Interests Benefit

The main effects of the new fares will be threefold. The cost of living will rise, leading to a fresh round of wage claims; a further burden will be imposed on those least able to bear it, the pensioners and others on fixed incomes; and land values in central areas will be further enhanced. It is an ill wind that does nobody any good, and so it is that every fares increase inexorably makes land in town and city centres more valuable to the advantage of the few at the expense of the many.

A Petition and a Learned Ruling

Faced with a similar problem, people in Victoria have organised a petition to the Government and Minister of Transport in that State. Agreeing that rail and tram services should balance their budgets, they argue that the present charges are based on the false assumption that only users benefit by public transport services and that they should be expected to pay the whole capital and operating costs.

The petition quotes Justice A. W. Foster (Arbitration Court Proceedings, May 21, 1947, page 7480) as follows:—

"We are regularly told that our Railways are a losing proposition. I have always asserted that the Railways was the most profitably run institution this country has ever had and, far from being a losing proposition, it is making very handsome returns indeed. No adequate balance sheet

ever took into consideration the accretion of land values in this State as a result of it. If you put the land value increase on the credit side of your balance sheet, instead of owing £30 million worth of capital you will have a credit of perhaps £100 million."

The petitioners pray for a Public Transport Rate to be levied upon the site value of land created and maintained by transport services. That, they argue, is the common sense and just alternative to increased charges to users. The effect of their proposal would be to put rail and tram services on a common footing with private transport, which has a free road to run on, and would enable freights and fares to be reduced to a level sufficient to meet operating expenses only.

The full text of the petition occupies a page of the November issue of the Melbourne *Progress*, wherein it is reported that the Victorian Henry George League is actively co-operating with other groups to obtain signatures.

Road Schemes—Cheap and Costly

Leaving aside the often fantastically high cost of land, road improvement schemes need not be expensive. An interesting instance of this was reported in the *Municipal Journal* of December 16. At the junction of Southampton Row and Theobald's Row contractors to the London County Council have widened both streets and splayed the corner, setting it back forty feet. A considerable amount of work was done yet, because the land for this small but useful improvement was surrendered free of cost by the developer, the whole scheme cost only £16,650. For the proposed roundabout to be constructed approximately 200 yards south of this junction, the cost of land and easements alone will be roughly £2 million according to information given by the Minister of Transport at Question Time last April.

An Expensive Detour

Approximately one-tenth of the cost of constructing the proposed St. Albans by-pass will be in respect of land acquisition. Landowners will get the greater part of half a million pounds for doing nothing, while the scores of workmen who will toil for months on end exposed to the weather will receive less than three times as much between them.

This information was given on December 6 by the Minister of Transport in a written parliamentary answer to Mr. Ronald S. Russell, the Conservative Member for South Wembley. He wrote: "So far as can at present be estimated land and accommodation works will cost about £500,000 and the roadworks about £4,600,000, of which about 35 per cent will represent the cost of materials and 30 per cent the cost of labour. The balance is the cost of plant, overheads, insurance, etc." Excluding the cost of acquiring land, the road will cost approximately £300,000 per mile to construct.

The cost of the land may be safely assumed to account for most of the £500,000 but it would be interesting to know the precise cost of its acquisition. No doubt much of it was rate-exempt farm land. Perhaps one of our readers in Parliament may be able to elicit information on those points, and the rateable value of any of the acquired land that appeared on the valuation roll. If similar detailed information could be obtained for every road constructed or improved, doubtless it would be found that compensation to freeholders often exceeds the total wages bill of those engaged in road making.

Farm Subsidies Under Review

The *Manchester Guardian*, December 29, in a leading article drew attention to the way in which assistance to agriculture primarily benefits those farmers who do not need such

ON SUCCEEDING PAGES

An Australian Judge on Land Values	3
Lessons from Modern History	4
Opponents of Derating	5
Purchase Tax and Inflation	6
Ministerial Replies in Parliament	7
A Derby Alderman Gives a Lead	9
Conference on Land-Value Rating	9
Social Credit in British Columbia	10
New Zealand, Holland and France	11
Economic Study Classes	12

aid. The Minister, who was said to be busy preparing the annual review of farm prices, had assured farmers that the Government "had no intention of altering its general policy or scrapping the subsidies," but he had warned them that the subsidy bill would be examined with "a stern and critical eye" to ensure that "every pound is justified and used to the best possible advantage." The editorial writer commented that that could open the way to a radical shift of emphasis in agricultural policy. He continued:

"At present the taxpayer is helping the farmers to the extent of about £250 millions a year. Is this money being 'used to the best advantage'? The part that is paid out in production grants is probably worth while on the whole. But this is only a quarter of the total; the far larger sum is taken up in meeting the difference between market prices and those guaranteed to the farmers at the annual review. It would not be quite fair to say that these cut off the farmers from all market pressures; the prices can be adjusted up or down to encourage output along suitable lines, though the strong opposition put up by the farmers' union means that the process is rarely carried far at one time . . .

The Law of Rent Recognised

"But there is a much more serious criticism of the price-support scheme, which is that it gives too much assistance where none is needed. Thus it has been reckoned that about 60 per cent of this money goes to a third of the farmers, who are in the top range of incomes. This would not be altered by an all-round lowering of guaranteed prices; the distribution would be roughly the same, and all that would happen is that some smaller farmers would go bankrupt. (About a half of all farmers have net incomes of less than £800 a year.)

"The sensible solution would seem to be a fairly drastic cut in the general subsidy accompanied by a considerable extension of specific grants designed to help the farmers who are operating on the margin to improve the productivity of their land. Here the possibilities for expanding output at reduced cost, and for improving quality, are still very good . . . It is time that a larger share of the public subsidy went to encouraging developments along these lines, instead of in bolstering the incomes of prosperous farmers on the best land."

Certainly it is "sensible" to withdraw the subsidies from those farmers who are able to make a fat living without any aid from the taxpayers. But is it so "sensible" to subsidise production on poor land? To dissipate on marginal land the labour and wealth that could and should and otherwise would be more productively employed elsewhere seems to us to be the height of folly.