

Tax Dollars Feed Inflation

"THE beneficiaries of subsidies and supports presumably acquire a vested interest in continuing in perpetuity as wards of the state," said Abraham Ellis, an attorney, in a letter to *The Wall Street Journal*. This followed a revealing article on subsidies by Jonathan R. Laing on October 8th reporting that a federal program supporting the peanut business would draw tax dollars and boost inflation.

"What is so magical or indispensable about peanuts that warrants price supports?" queried Mr. Ellis. "Are not shoes or beds just as vital as peanuts? To illustrate further the idiocies in the farm support program, we find the government at the behest of lobbyists, supporting tobacco prices and thus encouraging the production of tobacco, and at the same time spending millions of the taxpayers' dollars telling them that smoking is a health hazard.

"If peanut growers cannot make a profit producing for the market place, let them go out of business. The whole crazy quilt of farm legislation costing billions should be abolished and the law of supply and demand be allowed to function."

The government raised the price support to 75 percent of parity (the prices farmers would have to receive for their products to have the same purchasing power as in 1910-14) after farmers said the cost of production was rising faster than the subsidies. How-

ever, it is estimated that peanut growers will harvest 1.23 million tons more peanuts than last year, to produce for the third year, a surplus of 300,000 tons.

This surplus is sold in the world market—but since India, Senegal and Nigeria can grow peanuts at less cost, and the government must also compete with less expensive oils, it will be paying \$240.25 a ton (at support level) and selling for \$100 to \$115 a ton. This adds up to an approximate loss of \$60 million on the peanut program in 1969—a paltry sum compared to other government expenditures in the agricultural department.

Mr. Laing concluded, "to many observers it would seem that a system that can drain away tax dollars and feed inflation, while ignoring the surplus problems it's supposed to be dealing with, has perhaps outlived its usefulness."

Meanwhile, as prices to consumers rise on such popular items as peanut butter and candy bars, chemists are searching for synthetic flavorings and are close to developing commercially acceptable imitations. This is all part of the wonderful game known as free enterprise, and as Mr. Ellis stated in his letter to the *WSJ* editor, it is "a shocking demonstration of what happens when an industry is subsidized by the Government."

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The community, by its presence and activity, gives rental value to land, therefore the rent of land belongs to the community and not to the landowners. Labor and capital, by their combined efforts, produce the goods of the community—known as wealth. This wealth belongs to the producers. Justice requires that the government, representing the community, collect the rent of land for the community purposes and abolish the taxation of wealth.

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