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W. R. Nali

The Planning of British Agriculture

By Lionel Robbins

I

IT is a common complaint among critics of the present Government that its policy has been marked by inaction and undue caution. Whatever the justice of this complaint elsewhere—and it is clear that it is open to serious criticism—it certainly does not apply to the policy of the Government in regard to agriculture. In three years it has brought about a complete reversal of the general policy as regards food supply which has prevailed for the last three-quarters of a century, and the substitution over a wide field of agriculture of a system of centralised regulation for the system of free enterprise which had hitherto been ubiquitous. This is not a policy to which the epithets inactive or overcautious can possibly be held to be applicable. Nor is it possible to accuse it of any excessive disposition to economy. The zeal of the present Minister of Agriculture has already committed the country to subsidies, open and concealed, running into several millions of pounds per annum; and it is highly probable that they will increase. For all these reasons it is a matter of some importance to ask what it all means and where exactly we are going.

II

The traditional policy of this country in regard to food supply has been to buy in the cheapest market. If home produce was cheapest, well and good: it was purchased. But if foreign produce was cheaper, it came in. Neither by way of subsidy nor by way of obstruction to imports was there any attempt to keep in being a larger volume of agricultural enterprise at home than was profitable at world prices. This meant that a smaller proportion of the population was employed in agriculture and a large proportion in occupations at which we had relatively greater efficiency than would have been the case had agriculture been protected. But it meant too the growth of a larger population at a higher level of real income than would otherwise have been possible. It meant that no advance of

knowledge or improvement of organisation making food production cheaper was prevented from reaching the people. Our export industries developed to pay for the food we imported; and the effort that was spent in this way procured, by way of exchange, a larger reward of products than would have been procured by its expenditure in cultivating these products at home.

The new policy changes all that. A foretaste of what might come existed in the shape of the sugar subsidy which, in the course of ten years, has cost the nation a sum of some £35 millions and made profitable the production of sugar which very often could have been bought abroad for less than the cost of the subsidy*. Mr. Elliot is generalising the application of the underlying principles. "It is no longer the national policy" he has declared, "to buy all over the world in the cheapest market, because we cannot afford it."† Accordingly, by subsidy, by quota restriction, by market re-organisation and (to a very small extent) by tariffs, he has set himself to maintain and even to raise the price of food and to keep in being a volume and a type of agriculture which otherwise might have disappeared. It is important not to underestimate the extent of this policy. Subsidies of one kind or another are paid to the producers of sugar beet, wheat, cattle and "manufacturing" milk. Quota Restrictions (either statutory or the result of gentlemen's agreements) operate for beef, mutton, lamb, bacon, potatoes, hops, butter and eggs. Marketing Boards have already been set up for hops, potatoes, pigs and bacon, and milk, and extensions of the system to meat and eggs are in process of active preparation.

Now it is perfectly clear that there can be no objection to a policy of buying in the dearer market if the implications of such a policy are clearly recognised by all. The ultimate aims of policy are not susceptible to scientific criticism, and if for aesthetic or political reasons it is decided that the maintenance of a larger volume of wheat production is worth what we sacrifice in foregoing the opportunity of getting it cheaper elsewhere, there is nothing in economics

* Lord Astor has calculated that in 1930-1 we paid £11 millions for sugar, the equivalent of which could have been bought abroad for £4,703,000.

† *Parliamentary Debates*, Vol. 275, No. 48, p. 1631.

which can be appealed to against the decision. If I buy matches from an ex-service man at 3d. a box rather than from an automatic machine at 1d., that is obviously not a necessarily foolish thing. I am paying for something other than the matches which is worth the cost. Similarly, if it is decided that the £35 millions which has been paid to the producers of sugar beet is worth the satisfaction of seeing it grown on English fields, there is nothing more to be said about the matter—if both gain and cost are generally realised.

But it is important that they should be fully realised. It is important to realise that the gain is just whatever may be the æsthetic or the political advantage of growing beet (or whatever it is) on English soil. To those who set special value on the prevalence of agricultural occupations or who see wrongly, I believe, an important source of military security in an enlargement of domestic food supplies, this gain may not be small.* But there is no net gain so far as the real incomes in terms of goods and services, of persons other than the beet producers are concerned—quite the contrary. Mr. Elliot says we cannot afford to buy in the cheapest market. But either he is using the term afford in a very special sense or he is labouring under a misapprehension. The fact that food is procured from abroad by way of exchange rather than produced at home means that we are using our resources more, not less, productively than would otherwise be the case. This is not one of the matters on which, so far as my knowledge goes, there is any disagreement among economists. There is no gain, so far as real incomes are concerned, in subsidising or protecting agricultural production that otherwise would be unprofitable.

Nor can it be argued that there is any gain so far as spending on the products of other industries are concerned. Mr. Elliot sometimes speaks as if the raising of the receipts

* It is important to realise that it is agriculture as such and not merely rural occupation which must be valued in this way if the exclusion of cheap food is to be counted to this extent as a gain. If for reasons of public health it is thought desirable to maintain a certain proportionate distribution of population between rural and urban occupations, then it is highly probable that it would be cheaper to foster the migration of certain forms of manufacturing industry to the country than to protect in one way or another, branches of agriculture which international competition renders unprofitable.

of domestic agriculturists (which is an undoubted result of his policy) has the effect of causing more to be spent on the products of other industries. But this is an optical delusion. If I pay more for bacon, the bacon curer has more to spend. But I have correspondingly less. The thing is as broad as it is long. There is no reason to suppose that the creations and cancellations of bank credit which may accompany such manipulations, are on balance, conducive to more spending or more investment. On the contrary they are probably deflationary.

The gain, therefore, of such measures is limited to whatever "non-economic" advantage may be supposed to inhere in the maintenance of a volume and a kind of agricultural production which would not otherwise be profitable. At the same time there is a cost. If the policy is executed by means of a subsidy this is obvious whether, as in the case of sugar beet, it comes out of the pocket of the taxpayer or whether, as in the case of wheat, it comes out of the pocket of the consumer. But it is no less real when the same end is secured by measures which, by limiting supplies from abroad, so raise prices (or prevent them from falling) as to maintain the profits of producers. In the last analysis, resort to the advantages which increasing technical progress makes possible, is sacrificed to the other ends of policy.

It is sometimes thought that this is not so because of the inelasticity of demand for certain agricultural products. If the price of a commodity such as wheat is very considerably lowered, there will not be a large increase of consumption. It is argued therefore that consumers are not greatly benefited. But this is a simple error due to looking at markets one at a time instead of at expenditure in all markets. If the price of bread is halved, it is true it is most improbable that its consumption would be anything like doubled. But it is quite absurd to say that the consumer would not be benefited. He would have more to spend on other things. Now the prices of bread and the other commodities which are now under control bulk very large in the budget of the poor, and to stabilise at the present level is to abandon, at what some might think an unnecessarily early stage, one of the chief hopes of the diminution of poverty. It may be thought that the preservation of

domestic agriculture in its present form is again worth the sacrifice of the prospects of the urban population. But if this is so it should be clearly stated, not concealed in a cloud of sophistry about the expense of buying from abroad and the importance of the rural market.

Such sacrifices are common to agrarian policy in general as it is practised to-day by food importing nations. There is a further sacrifice, however, which must be taken into account in the case of the British Empire. The policy which we are pursuing at present is a policy which involves not merely a sacrifice on the part of our urban proletariat, it involves also a sacrifice of agricultural producers in the Dominions. For it is essential to the success of our most ambitious schemes—the milk scheme—and the contemplated meat scheme for example—that not only should we exclude the produce of the foreigner but that also we should exclude the produce of the Dominions. Now it is possible to entertain very various expectations of the possibilities of far-reaching schemes of Imperial economic co-operation. But in a world which is becoming increasingly cluttered up with obstructions to trade of any sort, it is surely clear that, where the Dominions are willing to take our manufactures in return for their food products, it is a very grave step to bang the door in their faces—to say “we don't want your cheese, your butter, your lamb and your mutton in such quantities as heretofore. We cannot afford to buy them and we propose to produce them (at greater cost) in our own little part of the Empire.” Yet this is what Mr. Elliot is doing. Does he do it with the approval of the export industries, the shipping trade and all the other interests which, to say nothing of the consumer at large, must quite inevitably suffer?

III

Let us assume, however, that such is the case, that the abandonment of the policy of cheap food has been accepted by all with a full knowledge of its implications as regards gain and cost. It is still desirable to inquire whether the methods which have been adopted to give effect to this policy are such as to promote it with a minimum of other disturbance.

The normal method of protecting producers from the competition of cheap imports is the imposition of a protective duty. This involves the sacrifices discussed already, but it carries with it the minimum of interference both with the conduct of domestic industry or the machinery of import. A certain margin of protection is given to domestic producers. But the domestic market still moves in harmony with the world market. If there is a domestic shortage, recourse can be had to other sources of supply without increasing the margin between world and domestic prices. If further cost reductions take place they are not prevented from reaching the consumer.

The mechanism of quota regulation which has been preferred by Mr. Elliot is not so simple in its mode of operation. It excludes competing imports with greater efficiency than the tariff, for it places an absolute limit on the quantity of importations. To that extent it is a more effective administrative instrument. But, in its indirect effects on prices and supply, and on the general trade position of the country *vis-a-vis* the Empire and the rest of the world, it has repercussions of a sort which render its use in preference to the straightforward tariff a matter of extreme dubiety.

Assume first that the quotas are rigid. Trade agreements such as the Beef Agreement with the Argentine, or the Lamb and Mutton Agreements with New Zealand, are negotiated by which the absolute quantity of a particular kind of food which it is permissible to import is fixed for a number of years. If this is less than has previously come in—and this is the *raison d'être* of such a policy—then the domestic price will tend to rise. How much it will rise, by how much it will differ from the world price, cannot be predicted in advance. This depends on conditions of demand which are not known. Here already, in the uncertainty of the price rise, is a disadvantage as compared with the tariff. Much more important, however, is the probability of more violent fluctuations. Under the tariff the domestic price differs from the world price, but its fluctuations are similar. If there are local shortages or surpluses the pooling effect of the world market cancels them out. The price fluctuates with the fluctuations of world supply as a whole. Under the quota system it is

different. The price fluctuates with fluctuation of local supply. It is obvious that severe fluctuations are much more likely. The probability of a shortage or a glut in one source of supply is much greater than the probability of a shortage or a glut in all sources taken together.

But, it will be said, in such cases the quota can be altered. This, of course, is what usually happens. An unexpected price movement occurs, political difficulties are engendered, and painfully negotiated agreements are unceremoniously thrown overboard. And the Pig Re-organisation Commission, whose speculations seem to provide the *locus classicus* for the theoretical foundations of the whole policy, definitely recommended a shifting quota as a permanent arrangement. It contemplated not a stabilisation of quotas but a stabilisation of total consumption, the foreign quota being varied according to fluctuation of home production. But such a policy involves very grave difficulties. We may neglect here the implication of the calm assumption that the consumption of any commodity in the six-year period 1925-30, or any other period, is the limit of the amount to which consumers are to be allowed access in the future. We may neglect, too, the very considerable technical difficulty in fixing aright the foreign quota on the basis of forecasts of domestic production. But we cannot ignore the very grave complication in our economic relations with other powers and with the Dominions which must result from continual alteration of the terms on which we are willing to admit their produce. We have seen already the implications as regards Imperial Relations of the general policy of protection for domestic agriculture. The difficulties, to which such a policy must in any case give rise, must surely be most unnecessarily aggravated if the quota system becomes permanent.

There is a further disadvantage inherent in the general adoption of such methods of trade regulation. The permanent adoption of quotas by this country must inevitably impose grave obstacles to the achievement of world recovery. One of the main needs of the present international situation is that the trade of the various nations should get into some sort of equilibrium relationship. This process, difficult enough in any case, becomes wellnigh impossible if the volume of trade permitted in particular articles is the

subject of strict regulation. The quota system is not new—*pace* the authors of the Pig Commission report—and it is the overwhelming verdict of experience all over the world that full recovery is not to be hoped for until it is swept away and that its persistence can only drive the various nations further and further along the perilous path to autarchy. Is it not unfortunate that we who have so much more than most to gain from a restoration of international trade, should, just at this moment, be leading the van in the other direction?

IV

The new policy of agricultural planning does not stop at the regulation of international trade. It extends the principle of quotas to domestic production. It controls price and individual trading. Under the system which has come into force in the last two years, the marketing and the production of certain products is so rigidly controlled that it is no exaggeration to say that nothing is left to the producers of these products save the *minutiæ* of technical supervision. The main decisions concerning the direction of production rest with the Boards, the main risks with the National Exchequer—the *deus ex machina* of all publicly directed enterprise.

The object of the marketing schemes is the maintenance or the raising of prices to the consumer. It is important that this should be realised, for attention is often distracted from it by claims of a different nature. It is not true that they are necessary in order to economise the expenses of marketing. No doubt some marketing arrangements are wasteful. But where this is the case—where real economies are to be achieved by combinations of producers, they can be achieved without coercing all producers into membership and without excluding foreign produce. A combination which achieved lower costs of marketing could underbid the recalcitrant outsider. Nor is it at all probable that substantial gains for producers can be made at the expense of the middleman. Before the days of the schemes much used to be made of this claim, especially in regard to milk. It is worth noting that the prices secured by the Milk Board have been made possible by an extension of winter prices to the consumer.

Now it is quite clear that, in the long run, the maintenance or the raising of prices can only be secured by control of supply. It is not enough to impose strict regulation on the amount coming in from abroad. If prices are fixed which offer favourable prospects to farmers, and domestic supplies are not regulated, then the amount coming forward will increase and, in the absence of artificial support, the market will collapse. We have seen this already with both bacon and milk. In each case the arrangements as regards price have had to be safeguarded by Government support in the shape of "temporary" subsidies. The Hop Board already definitely controls production. It is simply a cartel on the German model, its sanctions, however, provided by the State. And the Potato Board controls supply by varying the size of potato which may be marketed and by imposing prices on the increase of acreage. Unless the State is prepared permanently to subsidise the Milk Board, there is no doubt that sooner or later, here too, there will have to be established some form of production control.

If production is restricted below the point which it otherwise would have reached, there is no doubt that prices can be maintained. By reducing production or by keeping existing production stationary in the face of rising demand, prices can be raised considerably. But is the raising of prices in this way a thing which is generally desired? Opinions apparently differ when some of the supply comes from abroad. But when it is a matter of domestic production, is it generally desired to establish close monopolies of the necessities of life? Is it generally desired that a man who is willing to serve the public at a lower price should be legally prevented from doing so in the interest of high cost producers? During the slump people have become so accustomed to talk about the desirability of higher prices, that they sometimes fail to distinguish between a rise of prices brought about by an increase of demand with reviving trade and a rise which is the result of a diminution of supply, of restricting trade. Yet the two things are poles asunder so far as the public interest is concerned. There is no reason to suppose that the multiplication of restriction schemes and the narrowing of markets is anything but inimical to general business recovery. The fact that less capital and labour is allowed to operate in one line of

industry than would otherwise be the case, means that more will have to look for employment elsewhere. This has long been recognised in regard to Trade Union restriction. It is just as true in regard to monopolies of agricultural producers.

Restriction of production, however, is by no means the only implication of these schemes. The very measures which are necessary in order that production may be restricted, imply too a restriction of those tendencies which make for productive efficiency—a restriction, therefore, of those tendencies which make for diminished costs. Under competitive conditions the quantity produced by different farmers is not constant. Efficient farms will be expanding, inefficient contracting. Whether importation is free or whether there exists a certain degree of tariff protection, the competitive struggle is a continuous spur to efficiency and cost reduction. Under central regulation of production this ceases to operate. The farmer is tied to a quota which is based on his average of a period receding more and more into the distance. He is not permitted to increase his sales by lowering his price; whatever his efficiency and his cost of production, he must stick to the figure which secures profits for the most inefficient farm which the Board sees fit to keep in cultivation. If he goes below this figure he is liable to the most ferocious penalties. In such circumstances, when the farmer is reduced to a mere functionary of the Board, is it to be supposed that the spur to vigilant enterprise will operate so effectively as in the past? Is it to be supposed that the various efficiency premiums, etc., which are instituted by the Boards, will really provide an effective substitute for the operation of the forces of the free market?

There is a further impediment to efficiency, less obvious but no less important. The various Boards regulate different products or groups of products. One group of products, one Board. But the typical farmer in this country produces many products. The one-product farm is the exception rather than the rule in British agriculture. Now it is an essential condition of successful husbandry on the mixed farm that the proportions of the different products produced should be continually adapted to the varying requirements of its particular situation. Each farm has different

potentialities in this respect and these potentialities vary with the weather, with the incidence of plant and cattle disease, with the state of different markets. The successful farmer, like the successful general, is continually varying the disposition of his various resources to meet the exigencies of a varying total situation. But under the new system this is more and more difficult. The various Boards to which he is subject cannot view the situation from his standpoint. They each plan only for a particular product and the limitations which they impose on him in connection with each product necessarily seriously affect the flexibility of his operations as a whole. "If I were still free," said one of the most successful farmers in the home counties to me, as we surveyed a crop that had been damaged by frost, "If I were free, I should plough that in and have a try with potatoes. But if I do I shall be fined for exceeding my quota. It isn't worth the risk." The greater the number of products controlled, the more this case will be typical.

The extension of the system, is, indeed, very probable. Lack of energy is not one of the deficiencies of the present Minister of Agriculture and the proliferation of Boards is obviously a development not at all unacceptable to the men by whom he is advised. But if this were not so, there is still a cumulative tendency about this kind of intervention which is extremely difficult to arrest. As we have seen, restriction of supply in one line tends to an increase in others. If the bacon pig market is restricted then the pork market will be flooded. If purchases of liquid milk are limited, more goes to manufacture. It is only natural that the producers who are shut out from the paradise of one monopoly should yearn for the creation of another. Consequently they protest to the Minister. Even if he does not want to go on it is extremely difficult for him to resist. And so the monopoly system is extended. Another branch of the industry becomes a close corporation under Government control. There is no limit to the process which Mr. Elliot has inaugurated save the complete socialisation of British Agriculture. To some this may be highly acceptable. But if it is indeed the goal then it is surely desirable that it should be explicitly recognised as such from the beginning.

V

There can be no doubt that the policy of excluding competing imports increases the value of land in those branches of agriculture which it covers. There can be no doubt where it is not accompanied by deliberate restriction of home supplies, that it involves a tendency to the increase of certain kinds of agricultural production which in its absence might have had to give way to others. There can be no doubt, where the control of marketing is carried through to the logical conclusion of restricting the volume of production, that the producers who are permitted to produce may be in a position to make increased profits—if the consuming public does not step in and by compelling a change of policy frustrate their expectations. These, presumably, are the gains which would be claimed by the partisans of the new policy.

But if the analysis of the preceding pages is correct, there are also costs which must be counted. Dearer food—whether by way of prices higher than otherwise would have been the case or by way of subsidies from taxation—a shrinkage of those industries whose products would otherwise have been exchanged for food imports and the aggravation of our relations with the food producers of other parts of the Empire, the perpetuation of a quota system conducive to continual friction in trade relationship and inimical to the general restoration of world trade, the setting up of domestic monopolies of food producers and the abolition of the main spurs to productive efficiency, the progressive socialisation of a branch of industry to which the socialist solution has hitherto not been held to be applicable—these are the costs, which, if we are to strike a true balance, must be taken into account before we estimate finally the value to the community as a whole of this hazardous experiment in planning. Is it clear that the balance is positive?

LIONEL ROBBINS.

A Reply to Prof. Lionel Robbins

By Sir G. Christopher Clayton, C.B.E., M.P.

PERHAPS the most important task confronting the human mind to-day is to contrive to bring about general world recovery as quickly as possible and with the least possible dislocation. Recovery cannot be instantaneous throughout the world ; it must begin somewhere. It is constantly stated that no nation can permanently contract out of world depression ; it is equally true that no nation can permanently keep out of a slowly spreading recovery once it has begun.

It has not yet been possible for the nations of the world to emerge much beyond an anxious care for the immediate interests of their own nationals. Internal conditions have been so severe that necessity has driven them to subordinate world recovery to national existence—an attitude that is inevitable so long as the nations are divided among themselves.

Great Britain held out longer than any other nation for a wider ideal, but the competition set up by intensive nationalism threatened to destroy her economic existence and ultimately forced her to abandon free trade and adopt protective measures for the security of her own producers.

Amongst the latter, the primary producers were in an especially weak position, having to face imports from all quarters of the globe, some of these imports being a surplus for disposal at or below marginal cost from a highly protected home market, some being subsidised by export bounties, some produced under labour or other conditions which would not be tolerated in this country.

Agriculture differs from other industries. The land of a country is its greatest asset, an inexhaustible source of continuous wealth ; the land supports a greater population, even in England, than any other single industry ; it provides a way of life in healthy surroundings ; in the last resort, it feeds the people in time of war.

Now as I see it, the policy of the present Government has been to re-establish a prosperous agriculture at home with as little dislocation as possible of external trade, particularly with the Dominions. To achieve this, it has been necessary in

the first place to restrict a swamping flood of imports, in the second place to ensure orderly marketing and production at home.

Professor Lionel Robbins in the November issue of *Lloyds Bank Monthly Review* attacks both aspects of this policy. In his view, we should cease to interfere with imports, stop all this nonsense about Marketing Boards, and leave agriculture to survive, if it can, in the face of world competition, thus giving it a stimulus towards increased efficiency, and avoiding all injury to our export trade ; in other words, we should leave things to take their course.

The National Government was returned to power by an overwhelming majority because of an instinctive feeling amongst the people that there was a need for action and an opportunity for courage. In agriculture this action and courage have been forthcoming. Opposition there is, but it comes chiefly from those whose special interests are assailed, or from those who are living in the dream of pre-war, when with a constantly expanding market for our exports and little social conscience regarding labour, the world was a playground for the enterprising exporter.

Facts, not theories, must determine our policy. Russia and a great part of Asia are no longer free markets. China is chaos and Manchuria an appendage of Japanese industrial development. America has embarked upon an experiment far-removed indeed from Prof. Robbins' desire. Germany, Italy, France, Poland and their small imitators are the one and all committed to economic nationalism of which the end is certainly not yet.

In this environment our home market assumes a new significance, and within it a prosperous agriculture and prosperous industry are complementary and not antagonistic forces.

"In three years," complains Prof. Robbins, "the Government has brought about a complete reversal of the general policy as regards food supply which has prevailed for the last three-quarters of a century. Over a wide field it has substituted regulation for free enterprise and has abandoned the traditional practice of buying food in the cheapest market whatever the consequences."

That this is so, does not necessarily redound to the discredit of those concerned. Let us examine Prof. Robbins'

charges in more detail. They can be summarised into seven main points.

1. *Export Trade.*—By means of cheap food our export industries developed to pay for the food we imported, and earned for the nation thereby a greater reward than would have accrued from its production in this country.

This argument, based on the circumstances that attended the industrial development of the nineteenth century, has no bearing on circumstances as they are to-day. Perhaps the writer, as one whose interests are intimately bound up with export trade to almost every country of the world, may be permitted to add a personal word of his experience and profound conviction. I welcome the steps that have been taken to rehabilitate agriculture in this country. I would welcome a careful extension of them. There is every indication that they will result in a further improvement in home trade exceeding any improvement which could reasonably be looked for in other directions under present world conditions.

2. *Restriction of Imports.*—In order to maintain and “even to raise” food prices, the Minister of Agriculture has now invoked subsidies, quota restrictions, market reorganisation and tariffs, all a burden on the tax-payer and on industry.

What has happened since these enormities were perpetrated? Even in these early days, before marketing economies have got under way at all, and before the compensating advantages have had time fully to operate, the consumer is paying far less for his food than he did in the days of flourishing export trade. Moreover, our export trade itself is now showing marked improvement. Of course, it is easy to argue that, without import restrictions, the improvement might have been greater. Once again, I can but give my own experience that, over a fairly wide range of products, I can find no evidence to suggest that this would be so.

3. *Home Purchasing Power.*—Any gain supposed to arise from increasing the purchasing power of the farmer is “an optical illusion.” If the curer sells bacon at a higher price, he has, it is true, more money, but the consumer has less.

Presumably Prof. Robbins really means to refer to the producer, not the bacon curer, since we are dealing with the producing and not with the processing of goods. Assuming this to be the case, it is not merely a question of the producer getting "more money"—it is a question of keeping him in existence by paying him at least the cost of production. Furthermore, the alternatives really rest between paying the English producer or the foreign producer. In the one case, the cost of production represents services paid for and money or credit circulated in this country—in the other case, these advantages accrue abroad. It is true that, in theory, payment can only be made abroad by exports representing a similar amount of services, in the form of manufactured goods and of shipping and other services including foreign investments. In practice, however, we are finding it increasingly difficult to sell abroad in many of our old markets and to secure the service of our debts. This is not likely to be a transient phenomenon. The economist may, of course, argue that a profitable import trade will ultimately accrue to the benefit of the British investor in foreign securities or currency, but here again many assumptions have to be made, and there are strong reasons for believing that in this country, as in America, the cash income received by the primary producer is much more freely circulated than that received by the investor in foreign stocks.

Some of us may indeed feel inclined to join company with one of our leading economists when he confessed, a few days ago, that the most successful steps taken by this country in recent years had all been contrary to long-established economic theory.

4. *Consumers' Prices.*—The prices of bread and other articles now controlled loom large in the budget of the poor. To stabilise these prices at the present level is to abandon at what some might think an unnecessary early stage one of the chief hopes of the diminution of poverty. This is to sacrifice the prospects of the urban population to the preservation of domestic agriculture in its present form.

It is difficult to comment with restraint on this description of events. It will suffice to refer Prof. Robbins to a study of the index numbers representing retail food prices and whole-

sale farm prices. There can be no question that in agriculture as in industry, improvement can only be permanent if based on the determination ultimately to benefit the main body of consumers.

5. *Dominion Producers.*—Moreover, we are not merely sacrificing our urban population, but the agricultural producers elsewhere in the British Empire. Where the Dominions are willing to take our manufactures in return for their food products, it is a very grave step to bang the door in their faces. Does Mr. Elliot do this with the approval of the export industries, the shipping trade and all the other interests which, to say nothing of the consumer at large, must quite inevitably suffer?

In this paragraph Professor Robbins begins by claiming sympathy for the poor farmer of the Dominions, and ends by asking if Mr. Elliot has obtained the approval of the export and shipping trades and "other interests." All these matters come under other Ministers and notably the Board of Trade. The President of the Board of Trade need not stand abashed before anyone in a demand for interest in these vital matters. After all, Mr. Runciman has quite probably heard of the shipping trade. Furthermore the principal suffering at the moment is being borne by the home agricultural community for the very reason that the door has *not* been banged in the faces of our Dominion farmers. It is far more likely to be true that all these interests, even including the Dominions farmer, would "quite inevitably" suffer by a collapse of the home market, and in sustaining this market agriculture must play a leading part. The repercussions of an agricultural collapse such as occurred in the U.S.A. would be widespread, particularly within the Empire. In any readjustment, temporary hardship and sectional sacrifices are difficult to avoid, but even these are better than accepting defeat. Neither are they inevitable. To take but one example—an increase in the eggs and meat produced in this country would result in a large net increase in imports of wheat and other feeding stuffs.

6. *Tariff versus Quota.*—Full recovery is not to be hoped for until the quota system is swept away. . . . Is it not unfortunate that we who have so much more to gain from a restoration of international trade should just at this moment be leading the van in the other direction.

Professor Robbins admits that the quota is the more effective administrative instrument but considers that its reaction to world prices is too rigid.

The arguments in the tariff *versus* quota controversy are too well known to need repetition here beyond stating that quotas so far fixed are by no means rigid and that enquiry would enable Professor Robbins to ascertain that machinery has been devised to adjust them with considerable rapidity.

Neither can we to-day define world prices. They are too often based on a surplus dumped here or on distressed cargoes afloat as the result of restrictions elsewhere. Professor Robbins intends to imply that the introduction of quotas by us is hindering the restoration of *our* international trade, and that it is *we* who are leading the way in this iniquity. The reverse of course is the case. Our restrictive measures have been introduced to safeguard us against similar measures imposed by almost every civilised country of the world, and after we had been brought perilously near disaster by pursuing the course which Professor Robbins now bids us take. To sweep away the quotas and replace them by tariffs, high enough to control the markets, might or might not be an advantage. But is this the course which in the name of Free Trade we are asked to take ?

7. *Marketing Boards.*—The new policy of agricultural planning does not stop at the regulation of international trade : it extends to domestic production where control of prices and individual trading has been introduced. Nothing is left to the producer save the minutiae of technical supervision and there is little stimulus to increased efficiency and the consequent lowering of costs.

The primary object of marketing schemes is to enable producers of any commodity to exercise collective control over the marketing of their produce. Thereby they are enabled to consolidate their selling position, to adjust supplies to market requirements, both as regards quantity and quality, to regularise channels of distribution and eliminate waste resulting from excessive competition of individual units, and to provide the essential services necessary for efficient marketing in the present day, such as assembly standardisation, intelligence, advertising, and the promotion of increased sales.

Each and all of these objects are legitimate and desirable ends of commercial organisation and have been in operation in many industries except agriculture for many years. There is no reason to suppose that they must have the effect of raising prices to consumers; in most cases they have had the reverse effect, but nearly always they have improved the producers' position.

The marketing boards provide for the first time the opportunity and the machinery for an organised improvement of efficiency in production. This indeed will undoubtedly become in time one of their main functions, since on the consequent reduction in costs will depend expansion of sales.

"Only the *minutiæ* of technical supervision" will remain, as Professor Robbins points out, with the farmer, but what a strange description is this of the production of crops and live-stock, one of the most skilled occupations of mankind of which a lifetime of study can leave one comparatively ignorant!

Professor Robbins argues deeply upon the difference between a rise in price brought about by increased demand and one brought about by a diminishing supply, and appears to conclude therefrom that not only is a restriction of supplies inherently wrong, but that this is one of the principal functions of a marketing board. Nothing can be further from the truth. A board exists to *balance supplies* with demand, but I shall be surprised if any member of any board does not realise that its existence, like that of any business, depends on the success with which it can stimulate demand and increase consumption. No one wishes to curtail production, least of all in foodstuffs, but the principle of endeavouring to balance production with demand is one that is followed by every factory and every business organisation in the country.

Professor Robbins quotes a conversation he had with a farmer: "If I were free," said one of the most successful farmers in the home counties to him as they surveyed a crop that had been damaged by frost, "if I were free, I should plough that in and have a try with potatoes, but if I do, I shall be fined for exceeding my quota: it is not worth the risk."

But, really, was this all that emerged from a conference between two so important figures on one of the most important economic questions of the day? If prices of potatoes were sufficiently good to induce him to plough in some other crop and try potatoes, there would without doubt be many thousand other farmers with the same ideas. Without some co-ordinating mechanism, they would all set about doing it with the result—so frequent in the past—that they would all in due course be looking at a crop of unsaleable potatoes and saying, “let us plough these in and try something else.”

I cannot do better than close with the words of Mr. Henry A. Wallace, United States Secretary of Agriculture :—

“ The feeling that man should live by providing goods for his neighbour not by withholding goods goes very deep : and I believe that it is spreading. But the condition of greater balance and justice we now seek, in a capitalistic structure hastily mended, can certainly not be obtained by arranging that everybody work under the profit system except the farmer. The farmer’s instinct has always been . . . to provide to the uttermost, never to deny. This instinct, obeyed by millions of scattered individuals in a society seeking profits and setting prices on a scarcity basis took our farmers up the long hill to the poorhouse : and killed them as customers. Their death as customers closed thousands of factories and helped to throw millions out of work. Now we are trying to give our farmers their rightful place in a more decent and balanced system, a system that will work democratically and make for neighbourliness and a shared abundance.”

But Professor Robbins says “ Away with all that.” What, precisely, does he wish us to put in its place ?

G. C. CLAYTON.

The Farmers' Point of View

By Cleveland Fyfe, C.B.E.,

General Secretary of the National Farmers' Union.

THE criticism of the Government's agricultural policy which was published in the November issue of the REVIEW was naturally read with considerable interest in agricultural circles and the general view taken of it was that Professor Robbins had entirely failed to appreciate the true position of British agriculture in its relation alike to urban industry within these islands and to the competition to which it has been and remains exposed from abroad. Fundamentally, of course, the criticism of the Government's policy was not directed to Mr. Walter Elliot, but to the farmers of Great Britain themselves who have elected to make use of the Agricultural Marketing Acts of 1931 and 1933. And the disposition of farmers is to retort: "We have used the powers offered us by all parties in Parliament. We had no precedent to guide us in framing our marketing schemes and no doubt we shall have to amend their provisions in the light of experience before our schemes function with the maximum smoothness and efficiency, but we *have* got together and in that respect at least we have been more successful than the political economists who seek to criticise our efforts, since they seem to have failed entirely to agree upon any programme of action which would commend itself to all parties in Parliament as a means of ridding the nation of industrial depression."

The root of the criticism of the policy of agricultural planning is contained in the question raised by Professor Robbins: "Is it generally desired that a man who is willing to serve the public at a lower price should be legally prevented from doing so in the interest of high cost producers?" If that question be answered in the negative then, of course, the country must be prepared to scrap all that has been achieved over a long period of years by the trade union movement. The fair wages clause in Government contracts and the contracts of local authorities must go, along with the Agricultural Wages Act. The Trade Boards Act must go, along with the legislation which controls the output of our coal mines. And so on. On the other hand, if the community at large desire to exhaust every

effort to maintain the general standard of living, agriculture must receive equality of treatment with other industries.

The point that agriculture is entitled to receive equality of treatment is one which Professor Robbins seemed to ignore. He stated, for example, that "the zeal of the present Minister of Agriculture has already committed the country to subsidies, open and concealed, running into several millions of pounds per annum," and he referred in particular to "the £35 millions which has been paid to the producers of sugar beet." Well, it simply is not the case that £35 millions has been paid to the producers of sugar beet. It is estimated that not more than half of that sum has gone to the growers—the balance has gone to the factories and has served to increase the number of factories producing beet sugar in this country and the number of workers engaged in the industry. Such public money as has been expended in recent years for the benefit of the agricultural industry, e.g., under the Cattle Industry (Emergency Provisions) Act, the Milk Act or the Wheat Act, has all been spent to maintain employment in the industry, and the activities of the Agricultural Wages Board attest that employees in the industry have been among the principal beneficiaries. But there is another side to the picture to which Mr. Elliot's critics never draw attention. For years past vast sums of public money—infinitely greater than those expended for the benefit of agriculture—have been devoted annually to the direct advantage of urban industries. Many millions have been spent on housing; millions have been spent on the roads; scores of millions have been spent under the Unemployment Insurance Acts, not on maintaining people in employment but on maintaining them in idleness. If we are to discuss the utilisation of State subsidies it is quite arguable that the few millions that have been spent on the countryside have been expended just as beneficially from the national standpoint as have the gigantic sums, amounting in the last fifteen years to the best part of £400 millions, which have been devoted to non-agricultural purposes.

It was probably inevitable that critics of agricultural planning should invoke our "traditional policy" of buying in the "cheapest" market. Our "traditional policy" did not help our export industries or the shipping trade—let

alone the Government—to any tangible extent when they were faced with the difficulty of placing goods on an overseas market, surrounded by often prohibitive customs duties and other restrictions to imports, with in many cases the added complication and delay of obtaining payment for them. These were the circumstances that led directly to the closing of what hitherto had been the only free market in the world. But for that action the position of our producers—agricultural and manufacturing—would swiftly have become untenable. Is there anyone who seriously believes that, had *laissez faire* continued to prevail, had we permitted the virtual destruction of our agriculture and the paralysis of our urban industries we could have assured the maintenance of food supplies at reasonable prices and the purchasing power of the consuming public?

If it be true—as, obviously, it is—that the policy of protecting our home market was forced upon us by the growth of economic nationalism abroad any suggestion that we are protecting production “that otherwise would be unprofitable” is simply meaningless as a criticism of the Government’s policy. The towns benefit directly from the maintenance of production in our agricultural areas: the diminution in unemployment would have been markedly arrested had the Government excluded the problems of the countryside from their plans.

Talk of “sacrificing” Dominion producers for the benefit of the home farmer is simply a bogey. There is no sign that the Dominions have it in mind to adopt our “traditional policy.” They still accord first place in their home markets to their own home producers. No responsible leader of political thought in any of the Dominions has ever denied the right of the Mother Country to adopt and pursue a similar policy. The Ottawa Agreements Act constitutes an express recognition of these facts and, although certain aspects of these Agreements and of the Agreements with Argentina and Denmark have been criticised by British farmers, it remains the general hope and expectation that when these Agreements come to be revised there will be full accord between the spokesmen of home and Dominion interests on the basis of the policy of priority that has been preached with such notable clarity by Mr. Stanley Bruce.

We are told that quota regulation of imports will gravely complicate our economic relations with other powers and with the Dominions and that it must inevitably impose grave obstacles to the achievement of world recovery. "Is it not unfortunate," it is asked, "that we who have so much more than most to gain from a restoration of international trade should just at this moment be leading the van in the other direction?" The simple fact, of course, is that we are not leading the van. Our efforts to give a reasonable measure of security to our productive industries are the direct outcome of the steps taken by other nations to protect their own home production and it is far more likely that the policy embodied in the Agricultural Marketing Acts and the Import Duties Act will provide a means of reopening channels of international trade which are now blocked than that a policy of suffering the gradual destruction of our agricultural and manufacturing industries would have contributed to that end.

Professor Robbins, it is to be feared, takes an entirely wrong view of what is involved in the planning now proceeding in British agriculture. The side of the case which he seemed to ignore in his article was admirably expressed in the "Economic Commentary" on "The Agricultural Situation in 1932-3," issued by the International Institute of Agriculture, as follows:—

"Economic planning, as applied on a national scale by a Government, with a view to achieving greater stability in the economic system and to improving the economic and social conditions of the country generally, essentially implies a comprehensive scheme of co-ordination of economic activities. Such planning may involve a limitation of output in the overgrown industries, as well as an increase of production in industries which lag behind the rest and must be expanded, if the balance within the economic system is to be achieved. Indeed, since the ultimate purpose of planning should always be to increase, and by no means to reduce, the wealth and prosperity of the community, the immediate object of planning should be the balancing of the various branches of production by increasing, rather than by diminishing, production all round. Restriction ought to be considered only in extreme cases, with regard to branches of

production which have so far outgrown the existing capacity of the market for their products as to need pruning. During an economic depression, when relative over-production in certain industries may have to be eliminated at all costs, in order to restore some sort of working balance in the economic system, planning may have in the first instance to consider a reduction of output in the branches of production which have not kept pace with the diminution of output in other industries. But such policy of restriction, in a well-conceived system of planning, can only appear as a temporary expedient, necessary to put the various branches of production in a state of initial equilibrium, and an effort at an all-round expansion of economic activities must constitute the next step.

This applies to farming more than to any other industry, since agricultural production during the depression, as we have had occasion to point out before, has refused to follow the general movement towards a diminution of output, and, in some cases, has actually increased its production. Here, as a temporary emergency measure, a reduction of output may be necessary in order to permit a return of farming to a condition of equilibrium between prices and costs; but it would be a fatal error to assume that economic planning in agriculture in future will have for its object mainly to keep the output of farm products within definite limits, as a means for keeping up prices.

Under normal economic conditions, agricultural production largely constitutes the limiting factor of economic expansion generally; and to keep it down would mean putting obstacles in the way of general economic progress."

It is quite inaccurate to suggest that the schemes which have been, and are being, put forward under the Agricultural Marketing Acts are calculated to hamper productive efficiency and to secure "profits for the most inefficient farm which the Board sees fit to keep in cultivation," and it is just as inaccurate to suggest that "there is no limit to the process which Mr. Elliot has inaugurated save the complete socialisation of British agriculture." The promoters of marketing schemes are free, of course, to take the very wide

powers under the Acts, but it is quite clear that under any of the existing schemes the greatest gains must accrue to the most efficient producers. The boards administering the schemes have in the very nature of things had to face very great difficulties. As has already been indicated, they had no precedents to guide them and the process of gaining experience has proved, and probably will continue to prove, expensive. As is always the case, the discontented elements amongst registered producers have been far more vocal than the great majority, who are determined that the marketing schemes shall be a success. Remarkable progress has, in fact, been achieved within the space of a few short months, and it is very evident that a firm determination exists to secure the successful operation of the marketing schemes on the essential basis of producer-control and the encouragement of individual initiative within the provisions of the schemes.

Professor Robbins concluded his article by balancing what in his view are the "gains" and "costs" of agricultural planning. From the standpoint of the agriculturist the gains that are being achieved are primarily the stabilisation of agricultural commodity prices at a reasonable level and the stabilisation of agriculture itself as a customer of the towns, thus preserving the productive efficiency of our manufacturing industries and their competitive power in overseas markets. The policy of the Agricultural Marketing Acts is to facilitate the organisation of the market as a whole; it is, therefore, properly to be regarded as a constructive contribution to the restoration of profitable world trade.

CLEVELAND FYFE.

A Rejoinder

By Lionel Robbins.

MY original article was concerned mainly with three issues : (i) the gains and losses of the general policy of protection to agriculture ; (ii) the merits and demerits of the quota system of import regulation ; (iii) the regulation of the home market by the apparatus of marketing boards. It will be convenient if I reply to the arguments of my distinguished critics under the same headings and in a similar order.

(i) As regards the gains and losses of the general policy of protection to agriculture, I do not think it is necessary to add very much to my original argument. It was my contention that there was an obvious gain to agriculture, but that it was accompanied by losses to the rest of the community in the shape of prices higher than would otherwise have prevailed and a tendency to a contraction of exports—in the last analysis a tendency to a less economical use of the country's resources from the point of view of demand than would otherwise have been the case. My critics spend much time in commenting on different aspects of this analysis. But they do not seem to me to shake its essential accuracy. Captain Fyfe argues that the gain is one to which farmers are entitled. On the assumption that if you grant a subsidy or a tariff to some industries the others are entitled to a similar privilege, there is a certain force in this argument. But it does not touch the contention that the subsidy or tariff involves an ultimate loss elsewhere. Sir Christopher Clayton appears to deny than any such loss is probable. But I confess that I do not find his arguments convincing. I argued that the effect of tariffs or suchlike restriction to agricultural imports, is to make agricultural prices higher than otherwise would have been the case. Sir Christopher replies that agricultural prices are lower than in 1929. The two statements are not incompatible. I argued that if we buy less agricultural imports from abroad we shall export less goods and services to pay for them. Sir Christopher says that this argument, "based on the circumstances that attended the industrial development of the nineteenth century, has no bearing on circumstances as they are to-day." I cannot believe that the

statement that if you buy less from abroad you give less in exchange has this temporal limitation. The proposition that you cannot have your cake and eat it is surely as valid under King George V as it was under Queen Victoria. Nor can I accept the view that to exclude Imperial produce does no harm to Imperial producers: and a perusal of the Press fails to convince me that my scepticism is not shared by the representatives of the Dominions.

(ii) Much more immediately germane, however, to the issues of practical politics is the question of the relative merits of different kinds of protection. I argued that if we accept the view that it is desirable to afford some measure of protection to domestic agriculture it is still highly questionable whether the method of quota regulation is preferable to the traditional methods of protective duties. I pointed out that if a quota is rigid it involves the danger of severe fluctuations of prices, and that if it is flexible it involves continual dislocations of the channels of trade. I pointed out, too, the grave danger to the restoration of international trade in general if such methods of regulation were to be regarded as anything but emergency measures.

Unfortunately on these points my critics are highly reticent. I deplored the fact that just as the quota system was losing its popularity abroad* it should find a new lease of life here in the system of Mr. Elliot, and that we, who have so much to gain from the restoration of international trade, should just at this moment be leading the van in the opposite direction. To which my critics reply that we did not initiate the movement and that we have been forced into economic nationalism by the action of other countries. But this is surely neither here nor there. The point is, not whether we initiated the quota system, but whether we are now helping to sweep it away or whether we are setting up mechanisms of long run regulation which involve its perpetuation. It is because it has the latter effect that many of us view this aspect of the new agricultural policy with such apprehension. It is notorious that the raising of tariffs against the products of debtor countries makes the payment of international debt more difficult. In the case of quotas, the argument applies *a fortiori*: quotas may make

* As witness the announcement of the intentions of the French Government issued since the publication of my article.

international transfers impossible. Is the adoption of a policy of this sort really in the interests of a creditor nation? Abroad, quotas have never been regarded as anything but emergency measures. Mr. Elliot is an innovator at least in this, that he alone has supported them as instruments of long-term policy. It was on these points that my analysis focussed attention. But on these points my critics say nothing.

(iii) Nor are they very much less reticent in regard to my criticisms of the policy of compulsory marketing through central agencies. They appear to accept my view that, if there is not eventually to be complete chaos, control of price implies control of production—though, in regard to pigs and to milk, the Ministry of Agriculture continues to flounder in a sea of arrangement which ignore this obvious proposition. But they will not really face the full implications of the fact that this involves the exclusion of producers who find the prospects of production of the controlled products more attractive than other things, and the consequential congestion of production elsewhere and a probable progressive extension of control. Sir Christopher Clayton argues that the Board exists to “balance supplies with demand.” He does not seem to see that there is no such thing as “demand” irrespective of price, and that if prices are to be maintained higher than they otherwise would have been, then, whether he likes the word or not, this involves a *limitation* of supply. Captain Fyfe does indeed come much nearer recognition of the point in question. But he evades its implications by a rhetorical question. I asked whether it was generally desired that a man who is willing to serve the public at a lower price should be prevented from doing so in the interests of high cost producers. If this is not so, he replies, do we not cut, not only at agricultural restrictionism, but also at the restrictive practices of trade unions? Precisely. I do not shirk the question. It may be difficult to reverse customs which have solidified over a long period of time. But are we really so pleased with the results of trade union restrictionism, that we wish to see them reproduced in spheres in which they have not yet made their appearance? Is Captain Fyfe prepared to argue that if we add restriction to restriction we shall eventually arrive at a state of plenty?

But my criticisms did not stop at this point. I urged that even in the interests of the farmers themselves the new schemes were ultimately ill-conceived, that, under the regulations of the Boards, the progressive and go-ahead farmer would find his activities curbed in the interests of the less efficient, and that even if for a time on some products he found himself better off as a result of the manipulations of the Boards, he would eventually find his power to change and adapt to the exigencies of changing circumstances, so limited by the unco-ordinated regulations of this planless planning, that in the end he would be likely to be worse off than he was before it all started. This may be wrong, but it is really not disposed of by the mere assertion that the Boards are determined not to hamper efficiency. No doubt they have the best of intentions. My argument did not relate to that; it related to the logical implication of their very existence. That the methods of the Potato Board tend to perpetuate the *status quo* and hamper individual adaptation is not a question of the intentions of the members of the Board: it is a question of the form which their actions must take if they are to discharge the main object for which they exist.

Captain Fyfe says that my article was "fundamentally" a criticism of the farmers of Great Britain. This was not so. My article in the main was concerned with issues of general policy for which the responsibility of farmers is no greater and no less than that of other members of the community. But, if on this particular point of the effects of the new policy on the efficiency and the freedom of farming in general, I expressed a certain scepticism, this sprang not from any hostility to the agricultural community, but rather from apprehension for its well-being. It is not a pleasant thought that the fine men who till our soil may be driven, by the distresses of the moment, to sell their birthright of the free use of their capital and ability to serve the consumer, for the short-lived gains of a mess of socialistic pottage.

LIONEL ROBBINS.

P.S.—It would be ungracious if I were not to admit error on a point on which Captain Fyfe rightly takes me to task. My article refers on page 5 to "the £35 millions which has been paid to the producers of sugar beet." This, of course, is a misprint. The passage in question should read "to the producers of beet sugar."