



FARM LAND AND THE FREE MARKET

ONE OF THE ISSUES currently finding favor with the media is the fear that America's farm land is disappearing at a perilous rate due to urban sprawl. Sources as varied as *U.S. News & World Report*, *Saturday Review*, and NBC News, are reporting in vivid detail that four to twelve square miles of the nation's prime agricultural land are being lost every day. A booklet entitled *Where Have the Farm Lands Gone?* by the Federally funded National Agricultural Lands Study tells in words and pictures how Florida will lose virtually all of its unique and prime farm lands by the turn of the century if present trends continue. Farmers in New Hampshire and Rhode Island should be alarmed to

learn that all of their farm land will also disappear in the next 20 years.

Those who are caught up in this panic argue strongly that the country's only salvation is a comprehensive effort by local governments, aided by state and Federal agencies, to preserve resource lands through land use plans. R. Neil Sampson, Executive Vice President of the National Association of Conservation Districts, goes even further to advocate a new "land ethic" brought about by "education and social evolution to change the way Americans think about land."

The discussion of a decreasing cropland inventory in particular and comprehensive land use planning in general often begins with a misunderstanding of economic principles and agricultural statistics. Land is a productive resource and as such is

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also a commodity, subject as any other to the same free market pressures of supply and demand.

Before delving further into the economics of land use, it is worthwhile to debunk some of the statistics used to make the claim that prime agricultural land is disappearing. The figure quoted most often is that three million acres of farm land each year (or 12 square miles each day) are being lost. This assertion is derived from a study published in 1977 by the U.S. Department of Agriculture's Soil Conservation Service which found that during the eight years between 1967 and 1975, 25 million acres of *rural* land (not just farm land) had been converted to other uses. Only 700,000 acres of actual cropland, the agency concluded, went out of use annually. It is interesting to note the composition of this yearly three-million-acre conversion. Only 900,000 acres went into urban and transportation use; 800,000 acres were abandoned because of low soil fertility or a terrain unsuited for efficient use of modern machinery; one million acres were converted into additional wilderness recreation areas and wildlife refuges; and 300,000 acres were utilized for reservoirs and flood control.

The Soil Conservation Service's results have not found universal acceptance by the scientific community. The Regional Science Research

Institute, for example, attempted to confirm the estimates by using independent estimates of rural land conversion. Their findings showed a substantially lower conversion rate since 1970 than that projected by SCS. In addition, there is the problem of the system by which SCS defines agricultural land. The Land Capability System had its roots in the Mid-west and Great Plains area following the "Dust Bowl" days of the 1930s. Developed to point out the hazards and limitations of using soil on a long term basis for cultivated crops, its main purpose was to help prevent soil losses which affect productivity. The system basically shows degree of hazard or limitation, but does not meaningfully address the productivity of different soils which is so important.

Creating Cropland

Those who raise the alarm about the loss of farmland always seem to ignore the other side of the issue. There is a large amount of land converted to agricultural use through irrigation or reclamation of previously unsuitable areas. In various parts of the United States cropland is being created at the rate of 1.25 million acres annually, resulting in an actual net gain. The increase can be seen in the latest Census of Agriculture conducted by the U.S. Department of Commerce showing that total cropland jumped from 441.9

million acres in 1974 to 460.1 million acres in 1978. Even the essentially anti-growth *Global 2000 Report to the President* expected this trend to continue into the next century when 513.8 million acres of arable land is projected to be in use. The statement by the National Agricultural Lands Study that Florida, New Hampshire, and Rhode Island will lose all their farm land in the next 20 years is contrasted with the fact as reported by the Census of Agriculture that the total number of farms have increased in Florida by 3.4% and by 5.6% for the entire New England region over the last four years.

The reasons for these gains bring the discussion back to economics. While many believe land to be a "special" resource requiring regulation to be preserved, in reality it is no different from any other resource subject to the creative genius of man. A relevant point made by Julian Simon, professor of economics and business administration at the University of Illinois, is that contrary to the popular conception, much of the valuable corn and soybean acreage of Illinois was once a "malarial, water-logged, unproductive swamp." The labor of pioneer farmers, motivated by a demand for their product, was responsible for transforming a useless bog into a fertile garden feeding not only America, but the world as well.

Use Allocated by Price

Very simply, in a free market system of allocation, the use of land is determined by whatever brings the highest value. It would be contrary to rational thought to put any resource to a use other than that for which it is most desired. To do so would be as foolish as relegating a prize race horse to pull a plow.

Some may grumble about seeing condominiums occupy soil from which green rows of crops previously grew, but this is an indication that the land is or will be more valuable to the developer than to the farmer. If it were not, the farmer would not wish to sell and the developer could not afford to buy. A series of such exchanges will reduce the supply of available farm land and, in turn, activate other market mechanisms resulting in an increase of its price. The higher price will enable the farmer to resist future offers from developers, give incentive to take the necessary measures to put other land into production, and spur technological and scientific advances.

There are statistics to confirm this chain of events. According to Stanley Miles, agricultural economist at Oregon State University, between 1950 and 1980 production of food and feed grain nationally more than doubled while using less land. Parallel to this increase in yield is the fact that even adjusted for inflation,

the price of farm land more than tripled in many parts of the country from 1955 to 1977.

As a land use study group in Oregon recently concluded, "far from being random in the establishment of land use patterns, the market has performed with unsurpassed excellence by any standard of production or efficiency." This smoothly flowing efficiency can be quickly interrupted by the imposition of centralized planning and controls by government. According to Ernest Eber in *Urban Planning in Transition*, central planning is "based on the concept that the utilization and allocation of all resources would benefit from the establishment of deliberate goals by public authority to be achieved through systematic control of development by governmental agencies."

Paying for Mistakes

Whereas the market is constantly changing to achieve the highest value for land, the basic feature of the centralized planning system is to rely on a group of "planners" to determine the greatest need now and into the future for an area and to fit that need so as to conform with other surrounding property. The underlying assumption is that accurate information is available to produce a reliable land use plan which will be workable for many years to come. Public sector planners, however, do

not have the same incentives of the private investor to attain a high degree of accuracy. If an entrepreneur makes a faulty judgment he will have to bear the full weight of his error, but the miscalculations of the planner are dispersed among all members of society. These miscalculations are usually translated into costs, and a unique set of costs is generated by government intervention in the free market allocation of land.

The State of Oregon is generally recognized to have the most comprehensive land use planning laws in the nation. The costs of these regulations, created by the state legislature in 1973, are now becoming evident. The Brookings Institution has projected a massive housing shortage in the state due to planning requirements that all future development must be confined within urban growth boundaries. Anthony Downs, a senior fellow at the Institution, has stated that Oregon's style of planning creates a "quasi-monopoly" for those who hold vacant land inside such a boundary. The result is a reduction of competition in the housing market, producing an increase in prices. "The only way to reduce cost is to increase the total body of housing units," observed Downs who predicted that the great demand for single-family suburban type dwellings would continue well into the 1980s as couples born dur-

ing the baby boom of 1954-64 come of age. To corroborate this theory further, a recent comprehensive survey of literature on the impacts of government land use regulations by the Council of Planning Librarians concluded that "increased land use and environmental regulations have contributed to the rapid escalation of housing costs."

Considering the Costs of Options Curtailed

By definition, any discussion of ways to stop the conversion of farm land must reduce the power of a farmer to determine the fate of his own property and this must also be considered a cost. Although many farmers want to remain on the land, they also want to be free to sell their property at a handsome profit. One authority close to the subject has been quoted as saying, "All too often a farmer's land is his hospitalization plan, insurance policy, child's college tuition, or personal retirement fund. Consequently, farmers are concerned about compensation when land use controls are established that they perceive as limiting their options, including sale or development."

Limitations imposed by the California Coastal Commission, which also seeks to preserve agricultural land, have actually forced some farmers out of business. In the past when a bad crop made it difficult to


repay debts, solvency could be maintained by selling a few acres of land. Now, however, regulations forbid the parcelization of cropland and force the farmer to sell all his property or go bankrupt.

A Supreme Court decision earlier this year serves notice to government bodies that extreme care should be exercised when enacting land use regulations which limit a property owner's rights. The case of San Diego Gas and Electric Company vs. City of San Diego, in which the utility brought suit against the city for changing 39 acres from an industrial zone to agricultural, saw the landowner claim that he had been deprived of the entire beneficial use of his property. A decision was withheld because of the technical error of a lower court, but Justice Brennan's dissenting opinion (joined in by Justices Stewart, Marshall, and Powell) concluded that downzoning or other forms of prohibitory regulation which deprive an owner of all or most of the beneficial use of his property could constitute an illegal taking even if the deprivation was only temporary. In such cases, the four justices ruled, compensation must be made. The majority opinion itself indicates that there may be other members of the court who agree that excessive controls can constitute taking when it ended by saying, "We are frank to say that the Federal Constitutional aspects of that

issue (taking by regulation) are not to be cast aside lightly."

Several northeastern states have tried to solve the problem of compensating landowners by purchasing development rights (PDR). The purchase of development rights to a property is equivalent to acquiring an easement with the value being defined as the difference between the market value of the land and its value solely for agricultural purposes. There are two basic approaches to PDR programs: to acquire them directly through purchase or donation or to purchase the property in full fee, impose restrictions on its development, then sell or lease the land to a new user, subject to those restrictions. The one drawback to PDR programs is their high cost, a serious obstacle in an era of budget constraints. New Jersey abandoned its efforts after it became clear that significant amounts of farm land could not be purchased within a \$5 million budget. New York's Suffolk County has to date spent \$10 million on development rights for 52 farms totaling 3,300 acres.

Those who advocate government intervention to stop the imagined loss of farm land threaten to throw into confusion the very system that has enabled American agriculture to attain its present degree of excellence. Instead of placing the future of the nation's farm land in the hands of publicly employed planners, responsibility should be left with the individuals who know the land and its potential best. We have only to look to the Soviet Union for an example of what happens when central planning replaces farmers as stewards of the land. By law, no Soviet citizen can farm a private plot larger than one acre, but because of the gross inefficiency of the large collectives, private farmers working only 1.4% of the country's arable land produce 61% of its potatoes, 34% of the eggs, and 29% of the meat, milk, and vegetable output.

The theory expounded by Adam Smith over 200 years ago that the individual seeking his own economic benefit will also benefit society as a whole is just as applicable today to the farmer and the use of his land. 

IDEAS ON

Sir William Blackstone



LIBERTY

EVERY wanton and causeless restraint of the will of the subject, whether practised by a monarch, a nobility, or a popular assembly, is a degree of tyranny.

The Other Side of Racism

I first knew Anne Wortham as the King Features Syndicate librarian. She was competent and hard-working at her job, but occasionally she would take a minute to talk about our mutual concern for Leonard Read's freedom philosophy. She is a black, but race, as such, seemed to be the least of her preoccupations. She was confident in her own abilities, and certain that she was going to make it in the graduate school world which she proposed to enter.

Now, several years after her return to the academic scene, she has come forward with a book, *The Other Side of Racism: A Philosophical Study of Black Race Consciousness* (Ohio State University Press, 353 pp., \$12.50) that has important libertarian implications. She approaches her study by asking herself

certain basic questions such as "Am I free of government coercion?" and "Am I free of interference from my neighbor?" But most importantly she wants to be free of "irrational ideas and unjust actions" against her own human nature.

The result of her questioning will please such blacks as Thomas Sowell and Walter Williams, who are among the best of our free market—and free society—economists. But she will hardly find favor with those blacks who are willing to substitute group-esteem for self-esteem in their quest to make waves in a numerically white society.

It is not that Anne Wortham doesn't accept the anti-segregation aim of the Civil Rights Act of 1964 as a positive good. The right of a black to demand equality of service