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Federal Public Land Laws and Policies Relating to Intensive Agriculture, Volume VII. Working Paper: Federal Public Lands: Goals, Issues and Alternatives

Economics Department

Bill Folkerts

Federal Public Land Laws and Policies Relating to Intensive Agriculture

VOLUME VII

WORKING PAPERS

Federal Public Lands: Goals, Issues and Alternatives

Prepared for the

Public Land Law Review Commission

Washington, D. C.

By

The Economics Department

Agricultural Experiment Station

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PREFACE

What are the problems and goals of the people of the United States in relation to their public lands, especially those lands suited for intensive agriculture? What are some alternatives to the policies and laws presently governing the disposal or use of such lands for agricultural purposes? These and related questions are discussed in the papers in this volume to help the Public Land Law Review Commission carry out its responsibility for recommending ways that the public lands can provide maximum benefit to the general public.

The general public is obviously composed of many publics, and each has its own problems, interests, and goals which sometimes conflict. In the first paper, "Farm Tenure Problems and Goals of Farmers and Farm Landlords," the various publics are separated into two groups: (1) prospective farmers who wish to become tenants or owners of public lands suited for crop production, and (2) all the publics, including the prospective farmers, who are represented by the government acting as landlord or real estate developer.

Some insights into the problems and interests of prospective farmers are provided by an exploration of the tenure difficulties and goals of actual farmers as revealed by the literature. The evidence suggests that the most important farm tenure problems are related to the lack of the four F's: (1) fixity or security of tenure or occupancy, (2) freedom of improvement or long-run management, (3) freedom of operation or short-run management, and (4) fair rents or fair land prices and payment plans.

Attention is also given to the views of farm landlords since their views may indicate in some small way those of the general public as represented by the various federal land management agencies.

Security of tenure, freedom to improve and to operate, and fair rents and payments are also important factors in the experiences of other nations which have public lands suitable for agriculture. Various alternatives used by several countries for the management or disposal of public lands are identified and analyzed in the second paper, "Public Land Disposal by Leasehold and Freehold in Canada, Australia, New Zealand, and the Netherlands."

A supplementary article on Australian land policy by K. O. Campbell of the University of Sydney is reproduced in the Appendix.

Russell L. Berry

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FARM TENURE PROBLEMS AND GOALS OF FARMERS AND FARM LANDLORDS

Russell L. Berry

I. The Elusive Nature of Farm Tenure Problems

The task of determining the crucial farm tenure problems is as difficult as it is important. As Dewey said, "There is not at first a situation and a problem, much less just a problem and no situation. There is a troubled, perplexed, trying situation, where the difficulty is, as it were, spread throughout the entire situation, infecting it as a whole. If we knew just what the difficulty was and where it lay, the job of reflection would be much easier than it is. As the saying truly goes, a question well put is half answered. In fact, we know what the problem exactly is simultaneously with finding a way out and getting it resolved. Problem and solution stand out completely at the same time. Up to that point our grasp of the problem has been more or less vague and tentative."[1]

That land-tenure research workers' grasp of tenure problems has also been vague and tentative has been made clear by Salter, who reviewed published research in this field between 1910 and 1945. He concluded:

> In the first place a good deal of the work is not of the problem-solving type. Much effort has been given to describing existing lease forms and republicizing census data, not with any purpose of revealing sources of difficulty or finding solutions, but merely to make simple information available to any who might be interested in it. Only in [H. C.] Taylor's earliest work and a few rare instances since, is there any evidence that investigations were specifically conducted for the purpose of clarifying difficulties and uncovering experiments in which these difficulties had been overcome.

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[1] John Dewey, How We Think (Boston: D. C. Heath and Co., 1933), as presented by Randall, Buchler, and Shirk in Readings in Philosophy (New York: Barnes and Noble Inc., 1946), p. 187 (italics in original).

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> On the contrary . . . there has been an increasing predominance of reports with no action problem posed, no problem explored and no problem solved.[2]

Salter goes on to say "it should be recognized that research has its roots in problematic situations; that is, it exists because of conditions under which there is doubt as to what people should do because there is conflict between the purposes they are striving to achieve and the consequences they are experiencing. There is need for sharper attention to the preliminary exploration and clear definition of problems--that is, to the statement of doubts and conflicts . . . The next step is to encourage the functional use of hypotheses. Hypotheses are suggested alternative lines of action that will lead to the achievement of purposes. Their function is to direct the search for evidence . . ." (p. 252).

Despite the favorable reaction to Salter's criticism and despite the enthusiasm of tenure-research workers for John Dewey's ideas about the necessity of exploring troubled, perplexing and difficult situations to discover the problem, there remains much doubt and uncertainty about the nature of land-tenure problems. For example, in 1955 the Interregional Land Tenure Research Committee, in its "Gray Report," suggests that inefficiency, instability and inequality in resource use are the relevant social problems; and the objective or the goal is to remove them. If this is true, "then the functions of tenure arrangements become the creation of necessary incentives and means conducive to (1) efficient resource use, (2) stability of resource productivity, and (3) equality of access of resources among individuals."[3]

These goals were sharply criticized by Bogholt who asked, "What is the basis. . .for the claim that the situation described as desirable as an end is really so? . . .How was it come by? By what special methods? What assurance is given, open to the test of others, that the ends set up are desirable, as is asserted?" He goes on to say, "the genuine judgment as to what is desirable is the outcome of an inquiry which is instigated by an experienced lack or insufficiency in a unique situation. The lack or insufficiency, let us call it a gap or discrepancy, is not something that

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[2]Leonard A. Salter, Jr., A Critical Review of Research in Land Economics, (Minneapolis: University of Minnesota Press, 1948), p. 230. See also Joseph Ackerman, "Status and Appraisal of Research in Farm Tenancy," Journal of Farm Economics 23 (1941), pp. 229-30.

[3]Interregional Land Tenure Research Committee, Agricultural Land Tenure Research, Scope and Nature: Reappraisal, 1955, The Gray Report, Farm Foundation (Chicago, 1955), p. 2.

is determined by comparing the existent with an ideal. It is a situation directly experienced."[4]

The Gray Report was revised in 1962 by Ottoson, Wunderlich and Diesslin who found that efficiency, stability and equality as tenure goals left much to be desired. "In the first place there can be goals other than efficiency, stability and equality of access; such things as economic progress, distribution of income, political freedom, freedom from economic restraint, balanced growth . . . security and justice come to mind . . . In the second place, and perhaps even more important from the standpoint of research, the three objectives suggested in the Gray Report are so general, so obscure, that they are of little use empirically."[5]

Although 26 areas of suggested tenure research were then outlined, the authors "make no pretense this 'listing' approach is the well-calculated result of a logically constructed system of objectives" (p. 4).

Because of the confusion in identifying the major tenure problems, objectives or goals, it is fitting that the first objective of a farm-tenure research project should be to determine the problems or to "identify the objectives and purposes that people expect tenure arrangements to serve" before it attempts to "appraise alternative tenure systems and institutions which impede or expedite achievement of objectives" or "examine in detail specific arrangements with consideration given to how well they serve the aspirations of people involved and the impact on resource use and community life."[6]

II. The Four F's and Cash Leasing in England

What was the crucial problem in the tenure situation of English tenants? Ashby notes that during the n neteenth century, English landlord-tenant problems centered around what were then known as "the three F's: Fair rents, fixity of tenure and freedom of cropping, to which was added

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[4]Carl M. Bogholt, "Value Judgment and Land Tenure Research," Land Tenure Research Workshop, Farm Foundation (Chicago, 1956), pp. 133-34.

[5]Howard W. Ottoson, Gene Wunderlich, and Howard G. Diesslin, Land Tenure Research, Scope and Nature, U.S. Department of Agriculture, ERS-119 (1962), pp. 2-3.

[6]These are the three objectives of South Dakota Agricultural Experiment Station Research Project 371, approved 18 June 1962, a contributing project to NC-53 which has similar objectives.

later freedom of sale of produce. . . Demand on the part of tenants for fixity of tenure. . . or alternately provision for compensation for improvements made by the tenant became necessary as agricultural practices developed and traditional systems no longer sufficed."[7]

It would be a mistake, however, to believe that these problems were unique to the nineteenth century. Two centuries earlier Walter Blith, English Improver Improved (1652) declared, "If a Tenant be at ever so great paines or cost for the improvement of his Land, he doth thereby but occaision a greater Rack upon himself, or else invests his Land-Lord into his cost and labour gratis, or at best lies at his Land-Lord's mercy for requitall; which occaisions a neglect of all good Husbandry. . . Now this I humble conceive may be removed, if there were a Law Inacted by which every Land-Lord should be obliged, either to give him reasonable allowance for his clear Improvement, or else suffer him or his to enjoy it so much longer as till he hath a proportionable requitall."[8]

Alternatively these early English landlords and tenants were being urged to make 21-year leases, such as were being used in Flanders, which specified that "whatsoever four indifferent persons (whereof two to bee chosen by one and two of the other) should judg the Farm to bee improved at the end of his Leas, the Owner was to paie so much in value to the Tenant for his improving it."[9]

Long-term leases eventually became common in certain parts of England, but rapid changes in prices caused them to fall into disfavor with both landlord and tenant. The question of compensation for unexhausted value still arose at the end of the term, and the tenant who for years had been secure became progressively less secure as the term approached its end. Some tenants who did not expect the lease to be renewed used the last years to "milk" the land. Another reason for the decline in the use of long-term leases may have been the decline in the need for major farm improvements such as clearing and draining or the assumption of this

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[7]A. W. Ashby, "Farm Tenancy," Encyclopaedia Social Science, vol. 6 (1931), p. 121. A fourth F, freedom to improve, was probably already achieved by the time the three F's became a popular expression of tenure goals. In any event, freedom to improve was the first of the major tenure goals achieved.

[8]Lord Ernle, English Farming Past and Present, rev. (London: Frank Cass and Co. Ltd., 1961), p. 113.

[9]Sir Richard Weston, Discours of the Husbandrie used in Brabrant and Flanders (1645; pub. by Samuel Hartlib in 1650 and 1651), as quoted by Ernle, English Farming, p. 113.

responsibility by the landlord. With no major improvements to be made, about all the landlord wanted of the tenant was the rent and maintenance of the property--requirements as easily met under a short-term lease as a long one. So long as these conditions were met, the tenant may have enjoyed a strong feeling of security.

Ashby noted that "tenancies from year to year, in practice for one year and then from one year to another until notice to terminate is given by one of the parties, are theoretially short term leases. But in practice agreements for tenancies from year to year may subsist for long periods. There are well authenticated cases of continuous occupation of one farm by one family for two or three generations under such agreements in England. . . On the whole it is probable that tenancies subsist for longer periods under the year to year agreements than under leases for periods of years" (p. 120).

It would be a mistake, however, to assume that long occupancy always results in a feeling of secure tenure. Much depends upon the nature of the landlord and customary practice. When the landlord is a permanent estate consisting of many farms and has an established record of fair dealing with tenants, never putting them off except for failure to pay the rent or flagrant abuse of the property, the tenants are as likely to feel secure as if they had a long-term lease. But when the landlord owns only one or two farms, has little ability to deal with tenants, lacks financial security, is quite old and has heirs who cannot be expected to continue the lease, the short-term tenant will probably feel insecure. Under these circumstances even a long-term lease might not be of much help because the tenant may feel that the landlord will find a reason to break the lease if it is to his advantage to do so. As Thomas pointed out "all landlords were not good landlords, and a traditional system untrammeled with legal restrictions gave scope for the bad landlord as well as opportunity for the good landlord. In particular, the system suffered from three drawbacks known to students of the subject as the 'three F's' standing for the absence of fair rents, fixity of tenure and free sale."[10]

To make the general practice uniform, legislation was first adopted in 1851 which gave the tenant the right to remove certain improvements, provided he had received the written consent of the landlord before building them. In 1875 an Agricultural Holdings Act was adopted which permitted the outgoing tenant to claim compensation for the unexhausted value of certain improvements that he had made, but the law could be, and often was, circumvented. In 1883 the provisions of the law were made compulsory so that all tenants when quitting a farm could claim compensation for the

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[10]Edgar Thomas, "Tenure of Agricultural Land in Britain," Family Farm Policy, ed. Ackerman and Harris (Chicago: University of Chicago Press, 1947), p. 165.

value of unexhausted improvements to an oncoming tenant.[11]

Two goals, "fixity of tenure" and "freedom of cropping," were achieved in 1906 when Parliament passed an act which permitted the tenant to claim compensation for unjustified disturbance and gave him, subject to some restrictions, freedom to follow a system of farming of his own choosing.

In 1920 the third goal, "fair rents," was largely achieved by another act permitting the tenant to demand arbitration of the rent to be paid. If the landlord refused to arbitrate, the tenant could leave the farm and claim compensation for unjustified disturbance just as if the landlord had given notice. This law also permitted the tenant to claim compensation for farming practices superior to those of the community.

Parliament consolidated all these laws into the Agricultural Holdings Act of 1923. Further changes were made in the Agricultural Act of 1947 and the tenure provisions were again consolidated in the Agricultural Holdings Act 1948, making "the once servile tenant into the spoilt darling of the legislature. . . by putting land tenure on a basis which, in practice, made a solvent sitting tenant irremovable and kept rents substantially below their open market level. Subsequent political trends made adjustments in favor of the agricultural landlord inevitable, and the first installment was made in the Agricultural Act of 1958."[12]

Watson had earlier called attention to the fact "that the law has been repeatedly changed to the advantage of the tenant. It is no matter for surprise that the tenants now no longer ask for long leases; the common tenancy--which runs from year to year until one party or the other gives a year's notice to terminate--gives all the security that could be reasonably demanded. Again it is not surprising that British farmers (who, in general, have never had much ambition to own their farms) are now definitely adverse to ownership. A farmer will rarely buy if he can rent the kind of a farm he wants. The main anxiety now is whether the landlord will be able or willing, for the future to fulfill what are regarded as his normal responsibilities--the maintenance and modernization

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[11]This and the following discussion of English laws is based on "Improvement of the Tenant Status in England," Farm Tenancy Report of the President's Committee (Washington, D. C.: U.S. Government Printing Office, 1937), pp. 72-73.

[12]O. R. McGregor, "Agriculture in an Industrial Society," in Ernle, English Farming, Past and Present, 1961 (Chap. IV of Introduction), p. cxliii.

when necessary of the farmhouse, hired men's house, barns, farm roadways and drainage systems."[13]

Thus the law which Walter Blith called for in 1652 was finally enacted in 1883, and in subsequent legislation the other F's have been fully achieved. Indeed they appear to have been over achieved so that the landlords, rather than the tenants, now have a serious tenure problem. Be that as it may, the passage of the tenancy legislation indicates that the four F's were major objectives or goals of farmers.

III. The Four F's and Owner-Operation in the United States

During the two centuries that the English tenant was acquiring the four F's, his cousin in America was achieving the four F's and more by fee simple ownership. The attempts to reproduce medieval feudalism in the New World by making large grants to royalty failed simply because land was too easily obtained in other ways. Therefore, men who ventured to the Colonies did not voluntarily settle on the feudal holdings that were set up. Attempts to collect quitrents also failed. Why would anyone agree to pay such rents when land was almost free for the taking? Why would anyone become a tenant on unimproved land, then after clearing the wilderness lose or share the returns with a landlord who had contributed little or nothing?

Lands granted to the New England Colonies were in turn granted to groups of settlers who created townships and divided the land by lot according to need and productivity. This system was based on the English manorial system, but the manorial head was replaced by a democratic town government. Instead of rents, taxes were paid; no doubt the question of "fair taxes" replaced the question of "fair rents." Because the settler had fixity of tenure, freedom of improvement, and freedom of cropping, the Old World problems did not arise.[14]

The only fully developed manorial system arose in the middle colonies that later became New York, Pennsylvania, New Jersey, Maryland, and Delaware. This system was started by the Dutch in New York--especially along

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[13] James A. S. Watson, "Land Ownership, Farm Tenancy and Farm Labor in Britain," Agricultural History 17 (1943), p. 77.

[14] E. E. Edwards, "American Agriculture--the First 300 Years" in Farmers in a Changing World, U.S. Department of Agriculture, Yearbook of Agriculture (1940), pp. 175-76; Murray R. Benedict, Farm Policies of the United States, 1785-1900 (New York: Twentieth Century Fund, 1953), p. 6.

the Hudson River--but these manors were almost deserted when the British took over in 1664. The lands that are now New York, Pennsylvania and Delaware were granted to the Duke of York, a younger brother of the King. In 1680 the Duke leased Pennsylvania and Delaware to William Penn for 10,000 years.

The Duke's effort to introduce the quitrents (cash payments as a substitute for labor on the Lord's holdings) was unpopular and poorly enforced. Nonetheless, quitrents continued to be a source of irritation, even violence, until the middle of the nineteenth century. Penn's efforts to establish manorial systems were somewhat more successful partially because the quitrents were only a penny an acre. The New England system and the headright system were also used and, of course, with virtually unlimited land available, these systems provided unbeatable competition for the manors.

In Virginia a headright of 50 acres could be secured by anyone who "adventured" himself to the Colony. Soon this privilege was extended to every member of the family and finally to anyone who would pay one to five shillings for the right. The headright could be located on any available land, and of course, the best was chosen. At the beginning of the eighteenth century other methods of land disposal were used by the southern Colonies. Small grants with quitrents were used. Some groups of settlers established semi-autonomous communities known as "hundreds."

The scarcity of labor also made it difficult for large landed estates to develop. At least four of five free white men in the Colonies were farmers on their own land. They were not interested in developing land for others. Only the introduction of Negro slaves made the large estates and plantations profitable and possible. These plantations resembled manors except that they were worked by slaves. Once created, they tended to be kept intact in Virginia by primogeniture and entails until 1776 when Jefferson succeeded in changing these laws.[15]

The abolition of primogeniture and entails, started by Jefferson in Virginia, soon spread to the other states. Both primogeniture and entails were prohibited by the Northwest Ordinance of 1787 which specified that property of all "dying intestate, shall descend to, and be distributed among their children, and the descendants of a deceased child, in equal parts."[16]

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[15] E. E. Edwards, Jefferson and Agriculture, U. S. Department of Agriculture Agricultural History Series no. 7 (1943), p. 54.

[16] H. S. Commager, Documents of American History, 5th ed. (New York: Appleton-Century-Crofts, Inc., 1949), p. 128.

Although the outlawing of primogeniture and entails did not prevent estates being held together by will and trusts, the action clearly indicates that the farmers of the time chose to solve the problems of the four F's not by long leases, compensatory clauses and legislation, but by ownership. Although the problems and goals were much the same, the English tenant took the road to tenancy improvement and his American cousin the road to ownership.

If the manorial system had succeeded, the problems of the four F's probably would have been as severe in this country as in England. But the scarcity of labor and the abundance of land made the purchase of land for resale to farmers in fee simple a more attractive business than leasing. For the American farmer the major concern was with "fair sale" of land, fair credit terms, and eventually free land which gave him the remaining three F's--fixity of tenure, freedom of improvement and freedom of operation.

Starting in 1787, one land credit scheme after another was tried and found wanting. By 1820 credit was abolished in favor of cash sales with a minimum price of $1.25 per acre. In 1841 the Preemption Act was passed which allowed those who settled on the public domain ahead of the surveys to have first opportunity to acquire title to 160 acres when it was offered for sale at the minimum price. In 1854 the Graduation Act provided that land which had been on the market 10 years could be sold for $1.00 an acre, 15 years for $.75, 20 years at $.50 and so on. Then in 1862, after a long struggle for "free land," the Homestead Act of that year virtually gave 160 acres of land to any settler after five years of residence or permitted him to commute this requirement by paying $1.25 to $2.50 per acre. The original Homestead Act was followed by the Desert Land Act, the Timber Culture Act, and the Timber and Stone Act. All these acts made it possible for the settler to secure the additional land needed for an economic unit in the West.

Unfortunately the settlers had to learn the hard way that free land was not inexhaustible and that what was free to one generation was costly for the next. As a result, farm tenancy increased from 25 percent in 1880, to 35 percent in 1900, and to 37 percent by 1910. Sharp increases in land prices doubled the need for credit for land purchases, and agitation for more credit resulted in a return to governmental credit for farm ownership. Strong pressures resulted in the passage of the Federal Farm Loan Act in 1916, which established the Federal Land Banks. One of the strongest arguments for this Act was that it would give deserving tenants an opportunity to become owners; but from 1917 to 1921 only 18 percent of the loans were used to purchase land, and the figure did not rise above 20 percent until 1937.[17]

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[17]William G. Murray, "Governmental Farm Credit and Tenancy," Agricultural Finance, 2nd ed. (Ames: Iowa State College Press, 1947), pp. 341-2.

That farmers and their leaders were greatly concerned about the problem of maintaining the four F's by owner-operation is indicated by the number of States that enacted credit measures between 1913 and 1915. These were Massachusetts, Utah, Wisconsin, New York, Missouri, Oklahoma, Montana, Minnesota, and the two Dakotas.

The depression of the 1930s and the extensive farm-mortgage foreclosures caused the federal government to pass the Emergency Farm Mortgage Act of 1933 which provided for Land Bank Commissioner Loans permitting loans after 1945 up to 65 percent of the normal agricultural value of the farm. In 1937 Congress passed the Bankhead-Jones Farm Tenant Act which, according to Murray, "was a clear-cut mandate of Congress to use Government credit to aid tenants in purchasing farms" (p. 319). A unique feature was that these loans could be made for up to 100 percent of value of the farm as certified by a county committee of farmers. Lack of funds and the limitation of loans to farms of average size or smaller has kept the program from significantly affecting the farm-tenure situation, but its existence does emphasize the strong demand for the achievement of the four F's by owner-operation.

IV. Landlord and Tenant Opinion Regarding the Four F's

The evidence available from farm tenure surveys leaves much to be desired. None of the studies reviewed below had as its sole objective the determination of what problems frustrate farmers. Indeed, in most, evidence of the nature of the problem is a side product of other purposes.

Questions designed to determine a farmer's frustrations and the cause of those frustrations are difficult to construct. Even when good questions have been designed, the farmer's answers will vary with his experience and intelligence. This is true because it is one thing to experience difficulty and be frustrated and quite another to be able to identify and express the cause of the difficulty. The survey results, however, do give some evidence of the nature of farm-tenure problems.

That tenants want more fixity of tenure is suggested by their desire for longer-term leases even though the strength of this desire has not been satisfactorily measured. In Nebraska, Lambrecht and Wallin found that of 54 tenants interviewed, only 7 percent preferred one-year leases, whereas 17 percent preferred three to four-year leases and 76 percent, five-year leases. In contrast, 70 percent of the landlords interviewed preferred a one-year lease.[18]

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[18] G. H. Lambrecht and L. W. Wallin, Farm Tenancy in Box Butte County, Nebraska, Nebraska Agricultural Experiment Station Bulletin 336 (1942), pp. 23-24 and Table 19.

Similar results were secured when 90 central South Dakota tenants were asked (1) "What is the length of your present lease?" and (2) "What length of lease do you prefer?" Although 95 percent had one-year or year-to-year leases, 66 percent preferred three-year terms or longer, and 35 percent five-year terms or longer.[19] These answers were in sharp contrast to replies from 267 South Dakota landlords. Of these, 83 percent used a one-year lease and 78 percent said they preferred the short term (p. 6).

In 1961, questionnaires were sent to 250 landlords and 500 tenants in Brookings County, South Dakota. Replies were received from 85 landlords and 130 tenants. Only 53 percent of these landlords said that they believed long-term leases should be made, whereas 84 percent of the tenants preferred long terms. It is also possible that some of the landlords who said they favored long terms may have confused long terms with long occupancy, which they favor--provided a good job of farming is done and a fair rent is paid. In any event, the difference in opinion is still considerable.[20]

Tenants seem to feel fairly confident of long occupancy--perhaps believing that they can keep the landlord satisfied that they are doing a good job and paying a fair rent. For example, 60 percent of the tenants in Moody County, South Dakota, said they felt they had 10 chances out of 10 of keeping their present farms for the next 5 years, even though many of these tenants had one-year leases and preferred longer terms. Only 26 percent said they had a 50-50 chance or less of keeping the farm for the next five years. Moreover, only 17 percent thought that a five-year lease would increase their chances of keeping the farm for the next five years. The rest (83 percent) thought it would not make much difference.[21]

Why then do tenants prefer longer-term leases? A possible answer is that they want more freedom of operation or management than they have under short terms. If this is true, why do farm landlords resist the tenants' desire for more freedom and independence? Asked why the short-term lease was customarily used, 65 percent of 267 South Dakota landlords

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[19] R. L. Berry, Share Rents and Short-Term Farm Leases, South Dakota Agricultural Experiment Station Circular 117 (1955), p. 5, Tables 1 and 3.

[20] R. L. Berry, Farm Tenancy Problems in South Dakota, South Dakota Agricultural Experiment Station Bulletin 510 (1963), Table 21, fourth question.

[21] R. L. Berry and V. E. Bau, Tenant Interest in Long Term Cash and Flexible Cash Leases, South Dakota Agricultural Experiment Station Bulletin 480 (1959), p. 16, Tables 9 and 10.

replying chose the statement, "Because the short-term lease keeps the tenant on his toes since he knows you can get another tenant if he does a poor job."[22] In the 1961 study, 67 percent of the landlords and 77 percent of the tenants indicated that they believed the following statement was true: "The main reason why the short-term lease is customarily used is to make sure that the tenant does a good job of farming and pays a fair share as rent."[23]

Because the share-rent lease was being used by almost all of these landlords, it is not difficult to understand the reluctance to grant long-term leases that would permit tenants to farm in a way that might seriously reduce rents. After all, the short term is the landlord's best insurance against a tenant who does a poor job and pays a poor rent.

V. Land-Tenure Research Workers and the Four F's

Although research bulletins on farm tenancy between 1910 and 1945 had little to say about tenure problems and goals, some special reports and journal articles were beginning to discuss them.

In 1937 the President's Committee recognized ownership as the historic means of achieving security rather than being an end or goal in itself. Therefore, it urged not only more credit for ownership but also legislation similar to that in England to give the tenant more security of tenure and more freedom of improvement. Security of tenure and freedom of improvement thus appear to be the immediate goals sought. Stability of rural life, soil conservation, conservation of levels of living, and economic stability and security, however, were also discussed. It is not clear whether these latter were regarded as tenure goals or as general goals of society that were only incidentally related to tenure.[24]

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[22]Berry, Share Rents, pp. 10-13, Table 7. The other alternatives listed were: (A) Because long-term leases are not as binding on tenants as they are on landlords, (B) Because the one-year lease gives the landlord a chance to increase the rent as his expenses rise, (C) quoted above, (D) Other. An open-end pretest indicated that these answers were the most popular.

[23]Berry, Farm Tenancy Problems, Table 21, last question.

[24]Report of the President's Committee, Farm Tenancy (Washington, D. C.: U.S. Government Printing Office, 1937), pp. 9-18.

Henry C. Taylor, a member of the President's Committee, pointed out that fair rent, security of tenure, and freedom of operation were goals of the past and raised the question as to what degree these should be sacrificed to achieve other goals of society.[25]

Maddox listed four outstanding goals of the major national programs. One of these was "security, opportunity and personal integrity of nonland-owning agriculturalists, such as tenants and farm laborers." Another was to maintain owner-operation. Whether the security referred to is economic or tenure-related was not made clear.[26] Much clearer was Schickele's statement that "security of tenure and opportunity to exercise initiative and develop managerial competence on the part of the tenant are corner-stones of an efficient tenancy system which are deplorably lacking in the corn belt." To achieve these objectives, compensation for the tenant's unexhausted improvements and automatic continuation clauses with longer-term notices were recommended for study.[27]

In contrast, Wiley believed that the tenure problem was one of increasing the farmer's equity whether he be a tenant or an owner. Larger farms and greater efficiency thus were regarded as means to greater equity. Nonetheless he called for improvements in landlord-tenant relationships, "thereby leading to greater security of tenure."[28]

Brandt said our society calls for a tenure system that will foster economic efficiency in such a way that an optimum of creativity, and individual freedom and security can be attained. "Greater security of tenure and compensation for improvements promises to assimilate the functioning of tenancy to that of owner operation and to lead to longer occupancy, more conservationist husbandry and improvement in durable land improvements. The social and professional standards of tenants will gradually be raised. . . ."[29]

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[25] H. C. Taylor, "Land Tenure and Social Control of the Use of Land" in Proceedings of the Fifth International Conference of Agricultural Economists (1938 pp. 140-165.

[26] J. G. Maddox, "Land Tenure Research in a National Land Policy," Journal of Farm Economics 19, no. 1 (1937), p. 106.

[27] Rainer Schickele, "Tenure Problems and Research Needs in the Middle West," Journal of Farm Economics 19, no. 1 (1937), pp. 118-22.

[28] C. A. Wiley, "Tenure Problems and Research Needs in the South," Journal of Farm Economics 19, no. 1 (1937), pp. 133, 138.

[29] Karl Brandt, "Toward a More Adequate Approach to the Farm Tenure Program," Journal of Farm Economics 24, no. 1 (1942), pp. 208, 225.

To Hoffsommer, control in tenure relations is more fundamental than security of tenure. "Control implies the ability to do what one wants to do--to be either venturesome or conservative," he declared.[30] Thus control implies freedom of short-run operation and long-run improvement. Without security of tenure, such control or freedom is not likely to exist.

Although Hammar disagreed with Brandt about the importance of the tenure problem, he did little to clarify the point. He decried the land-tenure ideal or goal of owner-operation and argued that if efficiency in the use of human resources were achieved, the tenure problem would largely solve itself.[31]

In 1943 Timmons stressed the importance of distinguishing between ends and means in farm-tenure goals. He declared that "the following six goals . . . are posed as the ends of tenure policy towards which means should be directed . . . .

(1) Freedom to develop one's resources and to realize his inalienable rights to life, liberty and happiness.

(2) Widely distributed rights in land (control over land resources) to provide the physical resources with which to work and enjoy life.

(3) Security in the future possession of present landed rights.

(4) Stability of rural institutions including the school, church and local government.

(5) Efficiency of production directed towards the maximization of the produce from the resources in which rights are held.

(6) Conservation of resources in which rights are held or over which control is exercised."[32]

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[30]Harold Hoffsommer, "Progress of Tenure Groups," Journal of Farm Economics 23, no. 1 (1941), p. 210.

[31]Conrad H. Hammar, "The Land Tenure Ideal," Journal of Land and Public Utility Economics 19, no. 1 (1943), pp. 78-81.

[32]John F. Timmons, "Land Tenure Policy Goals," Journal of Land and Public Utility Economics 19, no. 1 (1943), pp. 167-79.

When the North Central Land Tenure Research Committee reviewed available research data the following year, it concluded that (1) adequate farm income, (2) security of tenure and (3) opportunity for personal and community development were necessary objectives, or goals, that were basic to constructive tenure policies.[33]

In the same year a committee of the Association of Land Grant Colleges and Universities agreed that owner-operation should remain the tenure pattern, but concluded that "the farmer's security and freedom in the use of land and his share in farm income are of more significance than whether he is called an owner, tenant or laborer."[34]

In 1945, the U. S. Department of Agriculture declared that "public policy ought to encourage the development of owner-operated family farms and be directed towards these primary objectives:

(1) An equitable distribution of farm income.

(2) Conservation and development of farm land and buildings.

(3) Effective farm work and efficient production . . . . .

(4) Wide distribution of the control over farm land . . . . .

(5) Maximum freedom of action for individuals . . . . .

(6) Equality of opportunity, dignity, and self respect for all tenure groups.

(7) Reasonable security for the individual in his possession of rights in land.

(8) A wholesome, well-integrated and stable community."[35]

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[33] North Central Land Tenure Research Committee, Improving Farm Tenure in the Midwest (North Central Regional Publication no. 2), Illinois Agricultural Experiment Station Bulletin 502 (1944), pp. 146-49.

[34] Postwar Agricultural Policy, Association of Land Grant Colleges and Universities (1944), pp. 30-31.

[35] Farm Tenure Improvement in the United States, U. S. Department of Agriculture Interbureau Committee on Postwar Programs, mimeographed preliminary (1945), p. 56.

One year later the land tenure committee of the Northern Great Plains Agricultural Advisory Committee accepted (1) adequate income, (2) security of tenure, (3) stability of rural life, (4) land conservation and development, and (5) more owner operation as "an effective means of furthering other tenure objectives."[36]

At the International Conference on Family Farms held in Chicago in 1946, Belshaw declared that a desirable tenure system should

(1) prevent waste or encourage conservation,

(2) provide the opportunity or freedom of farming and improvement,

(3) encourage efficient sized farms,

(4) encourage entry of well-qualified farmers regardless of their capital,

(5) provide security of tenure,

(6) avoid speculative booms and bursts in land prices,

(7) encourage wage rates comparable to other occupations, and

(8) increase stability of net income.[37]

At the same conference a committee chaired by E. B. Hill, on the "Place of Ownership and Tenancy," declared that "the weak spots in farm tenancy . . . are (a) insecurity of tenure; (b) inadequate farms--farms too small, soil productivity low, farm improvements not maintained; (c) lack of managerial control by the tenant; (d) incompetent management; (e) inadequate family incomes; (f) poor housing; (g) lack of tenant participation in community affairs; (h) lack of reimbursement for improvements made and for damage done by the tenant."[38]

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[36] Improving Farm and Ranch Tenure in the Northern Plains, Northern Great Plains Agricultural Advisory Council Report 1, Montana Agricultural Experiment Station Bulletin 436 (1946), pp. 4-5.

[37] Horace Belshaw, "Land Tenure and the Problem of Tenure Reform in New Zealand," Family Farm Policy, ed. Ackerman and Harris (Chicago: University of Chicago Press, 1946), pp. 193-99.

[38] E. B. Hill and others, Family Farm Policy, p. 425.

Another committee, chaired by Hoffsommer on "Measures to Improve Tenure Conditions of Family Farms," listed as problems "(1) security and stability of occupancy, (2) conservation and improvement of farming, (3) structural improvements and other provisions for tenants, (4) rental rates, and (5) cooperation between owner and tenant."[39]

A third committee on "Government and Tenure Improvement," chaired by Benedict, found that legislation was needed to

(1) Compensate the tenant for the value of his unexhausted improvements and penalize him for his waste, damages, or failure to meet other obligations.

(2) Provide security of tenure through automatic renewal and compensation for unjustified disturbance.

(3) Provide reasonable freedom of cropping.

(4) Protect the tenant against excessive rentals.

(5) Provide adequate housing.[40]

Harris and Ackerman summarized the goals of Belshaw and the committees of the conference in twelve points, but in discussing farm tenancy they said, "lack of managerial control on the part of the tenant is a major shortcoming everywhere, although admittedly more pronounced in some places than others. This has an adverse effect upon securing maximum production efficiency for the tenant is not free to choose a balanced combination of enterprises, he is handicapped in the development of livestock, and his short-time viewpoint forces him to have little concern about planning crop rotations and following conservational practices . . . where the tenant is not assured of occupancy long enough to get the benefit from capital developments or where he has no right of compensation for improvements when he leaves the farm," he is afraid to improve for fear of losing the farm or being charged a higher rental.[41]

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[39]H. Hoffsommer and others, Family Farm Policy, p. 441.

[40]Murray R. Benedict and others, Family Farm Policy, pp. 488-89.

[41]Marshall Harris and Joseph Ackerman, "Interpretive Summary of the Conference," Family Farm Policy, pp. 25-26.

Harris listed the following tenure objectives or goals at the Caribbean Land Tenure Symposium in 1946:

1. Responsible freedom of personal action.
2. Equality and dignity of all tenure groups.
3. Secure possession of rights in land.
4. Equitable distribution of rights in property.
5. Conservation and development of physical resources.
6. Highly efficient utilization of productive resources.
7. Equitable distribution of income.
8. Well integrated community life.[42]

A year after the International Farm Family Conference, Heady wrote an article on leasing which appeared to question most of the problems and goals developed by the conference.[43] To Heady the major problem of society, and certainly of agriculture, is inefficiency. He cited imperfect leasing systems as one cause of agricultural inefficiency and formulated rules to overcome the imperfections. These rules were intended to provide the tenant with freedom to allocate resources as prices and costs direct in the interest of greater efficiency.

That the lack of the four F's may not affect efficiency was indicated by several studies which compared share tenants and owner-operators. Little or no evidence was found that share tenants farmed less efficiently than did owners.[44]

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[42]Marshall Harris, "Objectives of Land Tenure Policy," Readings on Agricultural Policy, ed. O. B. Jesness (Philadelphia: Blakiston Co., 1949), p. 383. Reprinted from Caribbean Land Tenure Symposium, Caribbean Commission (Trinidad, 1946), pp. 30-48.

[43]Earl O. Heady, "Economics of Farm Leasing Systems," Journal of Farm Economics 29, no. 3 (1947). This article was later slightly revised and republished as Chap. 20 in his Economics of Agricultural Production and Resource Use (New York: Prentice-Hall, Inc., 1952).

[44]See D. Gale Johnson, "Resource Allocation Under Share Contracts," Journal of Political Economics 58 (April 1950), p. 118. (His evidence consisted mainly of a comparison of net cash and net share rents from 1925 to 1946.); E. O. Heady and Earl W. Kehrberg, Relationship of Crop-Share and Cash Leasing Systems to Farming Efficiency, Iowa Agricultural Experiment Station Bulletin 386 (1952), pp. 635, 661; Walter G. Miller, Walter E. Chryst and Howard W. Ottoson, Relative Efficiencies of Farm Tenure Classes in Intra Firm Resource Allocation (North Central Regional Publication 84) Iowa Agricultural Experiment Station Research Bulletin 461 (1958), pp. 334-5; and W. L. Gibson, Jr., Renting Farms in Southside Virginia, (Southeast Land Tenure Research Commission Publication 38), Virginia Agricultural Experiment Station Bulletin 523 (1961), pp. 30-34.

Contrary to his expectations, Sanderson found that in the adjoining deep loess areas of Iowa, Missouri, Nebraska and Kansas, crop-share tenants were more efficient crop producers than either owner-operators or livestock-share tenants. In overall efficiency, however, livestock-share tenants excelled, whereas there was little difference between crop-share tenants and owner-operators.[45]

In the same soil area of Nebraska, Neuman and Ottoson found that share tenants used less inputs per acre than either owner-operators or livestock-share tenants, but that crop-share farmers made about $1,200 more net farm income than owner-operators and $1,200 less than livestock-share farms.[46]

Barlowe noted that although emphasis on goals has changed with time, the central core of these goals has been the desire for

(1) a wide distribution of property rights,

(2) opportunity for every man to manage his business,

(3) adequate sized farms,

(4) efficient use of land over time, and

(5) maximum security and stability of possession consistent with good management.[47]

These may appear to be different from the four F's, but they are not. Item 1 has been achieved by the equivalent of "fair rents," i.e. "fair sale," by the government homestead laws and by fair credit terms. Item 2 is obviously the same as freedom of operation. Item 3 calls for freedom to enlarge the farm, an improvement comparable to enlarging the barn or introducing irrigation. Item 4 asks for freedom to improve over time, and Item 5 asks for fixity or security of tenure.

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[45]John T. Sanderson, "Relative Efficiency of Alternative Tenure Arrangements" (M. S. thesis, Iowa State University, 1960), pp. 71, 139 and Table 12; or see Virgil L. Hurlburt, Use of Farm Resources as Conditioned by Tenure Arrangements (North Central Regional Publication 151), Nebraska Agricultural Experiment Station Research Bulletin 215 (1964) which summarizes Sanderson's work, p. 15 and Table 13.

[46]Duane F. Neuman and Howard Ottoson, Type of Tenure, Organization and Resource Use on Farms in Southeast Nebraska, Nebraska Agricultural Experiment Station Agricultural Economics Report 32 (1964), p. iii.

[47]Raleigh Barlowe, Land Resource Economics (Englewood Cliffs, N. J.: Prentice-Hall, Inc., 1958), p. 435.

As mentioned above, the Interregional Land Tenure Research Committee, in its "Gray Report," held that "the functions of tenure arrangements become the creation of necessary incentives and means conducive to: (1) efficient resource use, (2) stability of resource productivity and (3) equality of access to resources among individuals" (p. 2). The interpretation usually placed on these three items is that they are tenure goals. Yet it appears that the three F's--fixity of tenure, freedom to improve, and freedom to operate--may be more immediate goals. The report declares that the debt-free full owner "has the greatest freedom to organize his resources and has maximum security of tenure expectations. The debt-free full owner can choose investments (enterprises) that will yield the greatest return over time with assurance that his length of tenure will permit his gaining the returns from these investments. Similarly, he is not affected by the dissociation of costs and returns between individuals. The full owner can supply as much of each factor as is economically feasible, knowing that he will receive the full return from every unit employed, whereas the tenant can employ resources only to the point where the last unit employed is equal to his share of the additional returns produced" (p. 9).

This quotation, and the discussion that follows concerning mortgaged owner-operators and tenants, make it clear that for these two groups the acquisition of more of the security of tenure and freedom of operation and improvement enjoyed by full owners is the immediate goal of research activity which perfect market theory suggests should result in greater efficiency. In essence then, the argument is the same as Heady's, and analysis suggests that fixity of tenure, freedom of improvement, and freedom of operation are the recognized immediate tenure goals.

How helpful are goals of efficiency, equality and stability as guides in giving farmers more security and freedom? One can only agree with Ottoson, Wunderlich and Diesslin that they "are so general, so obscure, that they are of little help empirically."[48] Nonetheless, the word efficiency appears frequently in their discussion of the 26 areas of land-tenure research. Efficiency, equality and stability are mentioned as objectives of research on getting started in farming. "Achieving Efficiency in Agricultural Land Use" is the first area discussed. Under this heading the authors say, "Tenure arrangements will obstruct efficiency if they do not encourage enlargement of farms to meet technological changes; do not give security of tenure that will lead to adoption of effective long range farm plans and improved farming practices; and do not give a fair division of costs and returns between the individuals involved" (p. 4).

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[48] Howard W. Ottoson, Gene Wunderlich, and Howard G. Diesslin, Land Tenure Research, Scope and Nature, p. 3.

Efficiency still appears to be the main objective, but sub-objectives appear to be fixity or security of tenure, freedom to improve by enlarging the farm, freedom to adopt other long range plans and improved practices, and determination of "the elements in the market situation that cause land prices, whether the use price in rental or value in transfer of ownership, to fail to reflect properly the productivity of land"--in short, fair rents or fair prices.

In discussing leasing arrangements (p. 8) the authors note that problems are created (1) when costs are not shared as the product is shared, (2) when discriminatory rents are charged, and (3) when short terms create insecure tenure. As the discussion of Heady's rules pointed out, the four F's are implied as objectives by these problems. Whether the achievement of these goals will result in greater efficiency is perhaps beside the point, unless one is willing to say that people should endure any frustration that does not affect efficiency--or a sore should not be of concern, no matter how irritating, unless it affects one's efficiency.

The views expressed in the 22 works published between 1936 and 1962 can be summarized:

Problems, objectives, goals or incentives	Frequency
Fixity or security of tenure	22
Freedom of improvement or long-run management	18
Freedom of operation or short-run management	17
Fair or equitable rents	10
Economic efficiency	14
Opportunity or equality (various meanings)	6
Soil conservation (improvement?)	7
Stability of rural institutions	3
Ownership (as a means to the first three items?)	5
Economic stability	3

There seems to be general agreement among these research workers that the first four items--the four F's--are important aspects of tenure that should receive attention because their lack constitutes a problem; and the goal or objective should be to provide them, if only as an "incentive" to greater efficiency--the fourth-ranked problem or goal.

A capitalistic, free enterprise society is founded on the notion that the greatest efficiency results when private firms have freedom to allocate their resources as costs and prices direct. To the extent that the four F's give farmers this freedom, it is logical to believe that efficiency may be increased. The fact that increased efficiency has not been found in several empirical comparisons of owner-operators, cash tenants and share-rent tenants, does not weaken the logic. Rather, it suggests that there may be other reasons for lack of any difference--custom, lease provision, or fear of losing the farm. But these studies do raise the

question of whether lack of efficiency is a tenure problem and whether its removal is a meaningful tenure objective or goal. If an automobile engine stalls, the problem is not one of miles per gallon of fuel, or efficiency. More likely, it is a problem of ignition or fuel supply to the engine. The precise problem--therefore the precise objective of the mechanic--is a matter to be determined rather than assumed.

Opportunity as a goal seems to have no generally accepted meaning. Sometimes it refers to opportunity to acquire fixity of tenure, sometimes to opportunity to manage the business. In either case it appears to be a synonym for one or more of the four F's.

Soil conservation as a goal suggests that farmers should have freedom to conserve as well as to improve. (These freedoms do not necessarily imply freedom to waste.) Ownership is one means of acquiring the four F's that is justly popular with farmers. Stability of rural institutions seems to be closely related to fixity of tenure. Finally, economic stability, like economic efficiency, does not appear to be a tenure problem but a problem of society as a whole.

VI. Farm-Tenure Goals of Landlords

Historically, the four F's have been stated from the tenant's viewpoint, and this view has been accepted. Yet if these tenure goals are to be achieved, they must also be attractive to farm landlords. This is true because in the United States the farm landlord is generally in a stronger bargaining position than is the tenant, especially when the landlord has a productive farm attractive to many land-hungry tenants. Unless the farm landlord can more easily achieve his goals, he is not likely to give the tenant either greater fixity of tenure or freedom of operation or improvement.

What, then, are the landlord's goals? Perhaps what is desired is an ideal lease that would give the landlord security as to the amount of rent, security as to the payment of the rent, and security as to the productivity of his property or reversionary interest. Stated from a different standpoint--the landlord wants freedom from poor farming, poor rents and poor upkeep of the farm.

What are the logical or theoretical reasons for believing that these hypothetical problems and goals of landlords may be valid? First, a landowner who proposes to lease his farm is obviously not interested in farming it himself. Nor is he interested in selling the farm. If he had this in mind, his main problem or goal would be to get a fair price. Once the price was paid, he would probably have no further economic problems or objectives with regard to this farm except what any citizen might have or as a matter of sentimental attachment.

If the landowner were to accept a partial payment of 30 percent or more and a note secured by a mortgage for the balance, his concern would be great. He would want to be reasonably sure that the new owner could farm well enough to make the payments as scheduled. In the event of default, the mortgage holder would want to be sure that the value of the property had been maintained sufficiently so that it would be worth the unpaid balance in the event that he were compelled to foreclose. Because such risk would be small, this is not usually a serious problem. However, if the landowner is selling on a land contract with perhaps a 10 percent down payment, he is likely to be more concerned about whether the buyer is a good farmer who will maintain or improve the farm, cultivate it properly, and make payments on time. Failure to maintain the farm or to make the payments could result in a serious loss for the seller.

If the landowner is interested in leasing the land--that is, in selling only the possession, use, and enjoyment of his land for a definite term in exchange for a rent--he is certainly interested in getting a good "buyer" or tenant. If a fixed cash rent is to be paid, the landlord's main concern will be security of rent, of payment, and security of the productivity of his property.

If the rent is an objectively determined flexible cash rent, which neither tenant nor landlord can affect after the lease is signed, the degree of concern remains much the same as in the fixed cash rent. Because the tenant can have a serious effect upon the landlord's reversionary estate, the landlord is much more concerned in getting and keeping a good farmer than he would be were he selling the land under any of the methods discussed above.

When the landlord elects to lease for a crop-share, the tenant becomes even more important. If he can get and keep a good tenant, he is assured a good job of improvement, a good job of management, and a fair share as rent. The problem is that frequently the tenant is deficient in one or more of these aspects. Hence the share landlord lacks (1) security as to the amount of rent, (2) security of rent payment and (3) security of his property. Cash rents eliminate the first of these problems but not the last two.

Because the share landlord is uncertain about rent, he may, and often does, specify in detail the crops to be grown, their acres, the variety of seed to be used, the kind and amount of fertilizers to be applied, the weed, insect and disease controls to be used and so on. Such activities on the part of the landlord--and the hiring of professional farm managers--are evidence of the importance of these problems and goals under share-rent leases.

Some landowners, however, are not interested in selling either their freehold or their leasehold. What they are interested in is either some kind of a partnership or an employer-employee relationship. Under some partnerships each party owns the same share of all resources. Other partnerships are less clear. Of these the livestock-share lease is an example. Often one party owns all the land and buildings and half the livestock while the other party furnishes all the power, machinery, labor and half the livestock; all costs and returns are shared equally. Whether this is a legal partnership is debatable, but certainly it must be at least a quasi-partnership, otherwise it would not seem so necessary to stress that it is a lease and that no partnership is intended.

When the crop-share landlord feels that it is necessary to dictate the farming plans in the detail suggested above, the result can only be a kind of quasi-partnership which differs from the livestock-share lease mainly in that the livestock is not shared. If, as sometimes happens, the landlord exercises full control over the farming plans, the tenant may be only slightly different from the sharecropper of the cotton and tobacco plantations of the South or the metayer in Europe. Finally, there are those landowners who hire a working manager to carry out plans for the operation of the farm. The relationship here is that of employer-employee. Unfortunately, the distinction between a leasehold and a partnership is not clear. This leads to much confusion. Does the landowner want a tenant, an employee, or both? If he wants a tenant, then it appears that his problems are likely to be insecurity as to the amount of rent, insecurity as to the payment of rent, and insecurity as to the maintenance of his property. Therefore, his major goals would be to achieve security of rent and property.

Empirical evidence supports the theory that landlords are primarily concerned about the amount of rent, the payment of their rent, and the protection of the property. For example, Pond asked 3,300 randomly selected Minnesota landlords why their last tenant moved;[49] the 22 percent who replied gave the following reasons:

		(percent)
1.	Tenant moved to (a) a better farm	23
	(b) a purchased farm	13
	(c) other work or retirement	14
	(d) illness or death	5
2.	Tenant was unsatisfactory	33
3.	Tenant failed to pay rent	8
4.	Landlord-tenant disagreement	3
5.	Other	1
	Total	100

[49] George A. Pond, Farm Tenancy in Minnesota, Minnesota Agricultural Experiment Station Bulletin 353 (1941), p. 40.

Landlord concern with good farming and fair rents is indicated by the fact that 41 percent of the tenants moved for these reasons (Items 2 and 3).

In Illinois, farm landlords attending county extension meetings chose 6 items from a list of 18 tenant characteristics.[50] The most popular choices and the percentage choosing each were as follows:

		(percent)
1.	Tenant with adequate power and machinery	71
2.	Tenant who will help build up farm	70
3.	Tenant who is willing to work	69
4.	Tenant who keeps up with new ideas	66
5.	Tenant to make small repairs and keep place neat	61
6.	Timely planting and harvesting	42
7.	Fair sharing of costs	41
8.	Clean attractive farm	36
9.	Written lease	32
10.	Cooperative planning	28
11.	Courteous and respectful treatment	25

The importance of good farming and hence good share rent is indicated by Items 1-4 and 6. The importance of maintaining the property is indicated by Items 5 and 8.

In contrast, Illinois farm tenants who attended the same meetings indicated the following preferences:

	(percent)
Productive farm	90
Landlord willing to make improvements	60
Adequate buildings	58
Modern house	56
Lease longer than one year	47
Written lease	41
Fair sharing of costs	40
Landlord willing to try new ideas	32
Courteous and respectful treatment	31
Appreciation for extra work done	25
Repayment for tenant-made improvements	20

Thus if landlords want good farmers, they need productive, well-improved farms and must provide some security of tenure, freedom to improve, freedom to operate, and fair sharing of costs.

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[50] Franklin J. Reiss, "What Do Tenants and Landlords Want," Farm Management Facts and Opinions to Help You, Newsletter no. 82 (21 February 1965).

In South Dakota, a mail questionnaire was sent to 1,200 randomly chosen landlords.[51] Of the 317 who replied, 103 said that their previous tenant left at their request. The reasons given for requesting that the tenant leave were:

	(percent)
Poor manager	47
Lazy	3
Dishonest	12
Other reasons	30
No reply	8

In Oklahoma, several hundred farm landlords who attended farm landlord-tenant hearings in 1938 gave these reasons why tenants move:[52]

	(percent)
Poor farming	51
To get better farm	17
Poor income	16
Poor upkeep of property	16

The same landlords gave the following reasons for landlord-tenant disagreements:

	(percent)
Poor farming	32
Division of crops	27
Indefinite agreements	21
Destruction of property	19

These landlords also said that when they selected tenants they looked for:

	(percent)
Power and equipment	29
Honesty and dependability	28
Good past record	22
Good worker	21

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[51] R. L. Berry, Share Rents, p. 13.

[52] "Farm Landlord-Tenant Hearings," Oklahoma Extension Service, mimeographed (1938), p. 5.

In contrast, tenants said that they looked for these characteristics in selecting a landlord:

	(percent)
Better land	37
Better improvements	31
Water and pasture	20
Agreeable landlord	12

In Iowa, Timmons asked 145 tenants and 131 landlords what they looked for in each other.[53] Their replies were:

	Tenants' replies (percent)	Landlords' replies (percent)
Ability to cooperate and get along	52	21
Honesty and integrity	25	26
Farm experience	16	42
Other	7	11
Total	100	100

Again good farming and fair rents are suggested as the main goals by the replies of these landlords.

Farm lease forms are also an indication of what landlords want since commercial forms are almost always prepared for landlords rather than tenants. Some of these forms merely say that the tenant will farm as the landlord directs and some say that farming plans shall be made jointly. Others such as the model "Crop-Share-Cash Farm Lease" (AD561, March 1960), prepared and distributed by the U. S. Department of Agriculture, provide much space to specify the crops, the acres of each crop, the location of the crop, the seed variety, the kind and amount of fertilizer to be used and many other provisions. Commercial lease forms and many forms distributed by State extension services contain liens on the tenant's crops to guarantee the payment of the rent. A one-year or year-to-year term is almost invariably used to insure a good job of farming, a fair rent, payment of the rent and upkeep of the property.

Both the logic and the survey results (sketchy though they are) suggest that landlord and tenant goals may be complementary in many cases. Landlords want to get and keep good tenants who can and will take care of

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[53] John F. Timmons, Improving Farm Rental Arrangements in Iowa, Iowa Agricultural Experiment Station Research Bulletin 393 (1953), p. 83.

minor repairs and upkeep problems, do a good job of farming and pay a fair rent. Tenants want to get and keep good farms on which they can make improvements, do a good job of farming as they see it and likewise pay a fair rent. Thus it seems that there would be much less leasing were it not for the mutual or complementary goals achieved by leasing.

There are of course, many exceptions. Not all landowners and farmers would agree to these goals. Some landowners are definitely interested in keeping the management of the farm largely in their own hands and prefer to treat their tenants as partners or employees rather than as independent contractors. Sharecropping in the South is an example, but some share-rent leases are little better. Still other landlords tend to think of their tenants as partners in which both improvement and operation are joint responsibilities, as is usually the case under share-rent agreements. But even here many share-rent landlords are content to leave most of these problems to the tenant, reserving by means of the short-term lease the right to remove him if he does a poor job or fails to pay a fair rent.

The evidence suggests that the latter class includes many landlords who would heartily subscribe to the four goals. Certainly they are interested in getting and keeping good tenants for the very reason that they do not want to be concerned or bothered with problems of improvements, day-to-day management, and doubts about the fairness of the rent. But because the share tenant's management does affect the rent, the landlord often finds himself involved in the tenant's farming plans, worried about the amount of the rent, and using the short term to protect himself against flagrant abuse. Because the short term limits the tenant's security of tenure, it also limits his freedom to improve.

VII. Summary and Conclusions

The purpose of this paper was to determine if possible the major farm tenure problems and goals of both landlords and tenants. Evidence from English and American history, from tenure studies and from farm tenure research workers was examined.

English history reveals that the four F's were the relevant tenure goals that were finally made uniform by tenancy legislation after at least two centuries of effort. Today the English tenant has great security of tenure, freedom of improvement, freedom of cropping and full opportunity to seek adjustment of rents that he deems unfair. There can be no doubt as to the objectives sought because they are incorporated in the law for all to see. They may have achieved too well for the future of the leasing system, a further indication of the strength of these tenure goals--the four F's.

The American colonists were also interested in the four F's, but the abundance of raw land and the scarcity of labor made it possible for them to achieve their objective by fee-simple ownership. Investors found that there was more money in buying large blocks of land, subdividing and selling it to settlers than in holding it for leasing as was done in England.

Ownership, hence the four F's, was easily achieved in part because Congress passed numerous credit acts, the Graduation Act, the Preemption Act, the various homestead acts; and it created the Federal Land Bank system and the Farmers Home Administration, both intended to make owner-operators out of tenants.

Despite all efforts at increasing owner-operation, farm tenancy has increased to the point where more than 50 percent of the land in much of the Corn Belt is now under lease. In some areas it is as high as 75 percent. What do the landlords and tenants say that their major tenure problems are? Such evidence as is available indicates that the most important problems are the lack of the four F's--fixity of tenure, freedom to improve, freedom to operate, and fair rents.

Land-tenure research workers also seem to be in general agreement that lack of the four F's constitutes the major tenure problem. In recent years there has been much talk about efficiency, stability and equality as social goals which tenure arrangements should achieve. However, an examination of the proposed arrangements reveals that they would give the tenant fixity of tenure, by one means or another; freedom to improve by compensating him for the value of his unexhausted improvements; and freedom of operation by eliminating discriminatory rents among crops and among such resources as buildings, pasture and cropland.

Although there is much less literature on the problems and goals of farm landlords, the evidence, such as it is, indicates that the lack of security of the amount of rent, particularly under share-rent leases, is the major problem. Next comes the landlord's insecurity about the preservation of the productivity of his property. Thus the landlord's goals are to get a tenant who will do a good job of farming, pay a fair rent, and maintain the farm.

PUBLIC LAND DISPOSAL BY LEASEHOLD AND FREEHOLD IN CANADA, AUSTRALIA, NEW ZEALAND, AND THE NETHERLANDS

Paul O'Rourke

I. LAND POLICIES OF TWO CANADIAN PRAIRIE PROVINCES

Introduction

Alberta and Saskatchewan are the only Canadian Provinces which dispose of their public lands for intensive agriculture by leasehold as well as by freehold. The history, geography and land disposition policies of the two Provinces are similar.

During the years of settlement, between 1870 and 1930, the Canadian government controlled the public lands in the Prairie Provinces. Its land policy closely resembled that of the United States--making land available in fee simple and encouraging rapid settlement.

When the Dominion government relinquished the land to the Provinces in 1930, the drought and rural depression of the twenties and thirties forced the Provincial governments to reevaluate land policy. Rapid settlement gave way to conservation as a primary objective of land policy, and the farmers' lack of capital influenced the Provinces to adopt a policy of leasing the lands. Since the 1930s both Provinces have continued to lease, but with different emphasis. Alberta has stressed leasing as a temporary alternative to freeholding. Saskatchewan stressed leasing between 1945 and 1962, but in 1955 it allowed veterans who were holding leases to purchase their lands, and in 1962 all other leaseholders were permitted to purchase.

Geographically, the Provinces are each divided into three soil zones. A Brown Soil Zone in the South was once a wheat growing region, but since the drought of the 1930's, it has been primarily a grazing area. Today the public land is generally leased for grazing purposes. This region is surrounded on the north and east by a more fertile Black Soil Zone in

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which oats and barley are important crops. Here, fee simple ownership is the rule. The northernmost tier, extending to the Canadian shield, is the Grey-Wooded Soil Zone, a largely underdeveloped region suitable for legumes, oats, and barley (although not wheat) but requiring extensive clearing, breaking and drainage. This is the region where the Provincial governments lease most of their land for intensive agriculture and where their experience is most relevant for American land policy.[1]

Saskatchewan Land Policies

Saskatchewan has emphasized leasing its public lands more than any other Canadian Province. In 1953 the Saskatchewan Royal Commission on Agriculture and Rural Life justified leasing on several grounds:

1. Since virtually all of the land leased is in the Grey-Wooded Soil Zone and requires extensive government improvements, the government can recover the cost only through leasing.

2. These frontier lands are vulnerable to inflation, exceeding production increases, which would increase the tax and debt burden of individuals purchasing freeholds.

3. A leaseholder is in a much better position than an indebted owner to obtain adequate machinery and working capital and to operate a larger unit.

4. The government's conservation goals can be more easily attained on state-owned land rather than on undersized and undercapitalized private land.

5. The government leasing policy probably stimulates better private leasing arrangements and holds down private rental charges, an important consideration in a Province where almost half the private land is leased.

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[1] C. C. Spence, "Government Policy and Land Use in Western Canada in Land Economics Institute, University of Illinois, Modern Land Policy (Urbana, Illinois: University of Illinois Press, 1960), pp. 367-68; V. A. Wood, "Public Land Policy for Alberta," (Ph.D. dissertation, Department of Agricultural Economics, University of Minnesota, 1953), pp. 131-33; P. E. Polischuk, Director of Lands, Province of Saskatchewan, (letter, 20 November 1968).

6. Through its leasing program the government also helps freeholders to reach economic farm sizes by renting them small parcels of public land.[2]

The Commission's analysis of the advantages of leasing was by no means unique. What is surprising is that Saskatchewan adopted the leasing policy despite the preference, pointed out by the Commission, for private ownership in the frontier areas.

The basic explanation for the government's persistence in this policy is the lack of demand for available public lands. The high cost of improving the land in the Grey-Wooded Soil Zone, high costs of operation, low crop and livestock prices, the absence of roads and social amenities have discouraged prospective settlers in an era of urban immigration. A postwar settlement plan for veterans created some demand, but since the mid-fifties there has been virtually no demand for farmland in Saskatchewan. The main goal of the government's land disposal policy in recent years has been to create economic sizes of existing farms by leasing public lands to their operators.[3]

The settlers' main pressure on the government in recent years has been for the enlargement of their current holdings rather than for new homesteads. Until lately, the government considered 480 acres an adequate economic unit if half the unit were suitable for crop production. The Commission in 1953 noted the paucity of studies on the rate of return from agricultural lands and suggested that 240 acres of good cropland might be inadequate in the North. The government eventually acceded to the demand for increasing the maximum from 480 to 800 acres.[4] The number of leases and acres of public lands leased in 1967 by Saskatchewan follows:

	Number	Acres
Cultivation leases	2,880	398,382 (arable)
Grazing, hay leases, permits	11,247	5,738,606

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[2]Saskatchewan Commission on Agriculture and Rural Life, Report no. 5, Land Tenure: Rights and Responsibilities in Land Use in Saskatchewan (Regina, Saskatchewan: Queen's Printer, 1955), pp. 54-68.

[3]Burke G. Vanderhill, "The Decline of Land Settlement in Manitoba and Saskatchewan," Economic Geography 38, no. 3 (1962), pp. 270-73; A. M. Thomson, Director of Lands, Province of Saskatchewan (letter, 9 March 1966).

[4]C. C. Spence, Modern Land Policy, pp. 378, 381; Saskatchewan Commission on Agriculture and Rural Life, Report no. 5, pp. 88-89.

Between 1961 and 1967 there were 2,431 Provincial sales involving 521,106 acres of cultivated land.[5]

Rentals are paid primarily in cash. The government prefers this system because the sharecropper can cover up his yield and put the burden of proof on the Province. Sharecropping has declined to such an extent that the Province granted no lands on share rentals in 1966-67.

Rentals are based on the appraised value of the land, which is derived from soil productivity ratings; these in turn are converted into monetary values that fluctuate according to crop prices. In actuality, the land is appraised below market values. Each tract is reevaluated every fifth year, and rents are generally assessed at 6 percent of the appraised value. This rate is adjustable; however, the adjustments are usually downward. The Commission in 1953 recommended more flexibility in rentals, claiming they were too high in the initial years of the lease and too low in later years. Two unusual provisions of the standard cultivation lease which benefit the tenant are:

1. An 8 percent discount if the rent is paid by December 1 of the current crop year when it is due. (Payment may be deferred until July 31 of the following year because of the quota delivery system of the Canadian Wheat Board. There is a 6 percent penalty if the rental is not paid by August.)

2. In years of complete crop failure or very low yield, a complete or partial write-off "of rent" is allowed.[6]

Since 1965, the government will sell--except for fractional land sales--only to a lessee who has held the land for at least five years and who has at least 25 percent of his acreage under cultivation. The minimum price is $20 an acre for arable land and $10 an acre for unimproved land. The government reduces the selling price by $50 for every year the lessee holds the land (up to a maximum of $500 or 10 percent of the appraisal price, whichever is greater). Purchases on time require a 20 percent down payment with the balance to be paid within 30 years.

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[5]Saskatchewan Department of Agriculture, Annual Report of the Director of Lands, 1967 (Regina, Saskatchewan: Queen's Printer, 1967), pp. 137-44.

[6]Thomson (letter, 9 March 1966); Saskatchewan Department of Lands, p. 136; "Cash Rental Agricultural Lease," Saskatchewan Department of Lands (Regina, Saskatchewan); Saskatchewan Commission on Agriculture and Rural Life, Report no. 5, pp. 88-89.

Lack of security of tenure has been a problem, although it is not nearly so severe on leased public lands as on the private lands of the Province. The standard cultivation lease now runs for 10 years. The tenant has priority over other applicants at renewal time, yet the administration of this provision in Saskatchewan has apparently caused uncertainty among lessees. The Commission in 1953 recommended a definite guarantee of the lessee's right of renewal. Ideally, it suggested abolishing the standard 33-year lease altogether in favor of a combination of an interim with a perpetual lease. The farmer would receive an interim lease until he had demonstrated his ability. Then, he would get a perpetual lease, which the Commission was convinced would guarantee security of tenure without the indebtedness handicaps that go with freeholding.[7]

Lack of compensation for improvements has also been a problem in the northern region where land development requires considerable work. Under the standard agricultural lease, the tenant clears and breaks the land. The government compensates him for his expenses up to $30 an acre which he may credit against his rent. The lessee owns the farm buildings and fencing and is entitled to compensation upon termination of his lease. A popular lease in new settlement areas is the Project Lease under which the government clears and breaks 50 acres while the tenant clears the brush piles. The tenant may not credit the cost of clearing additional land against any of the rental from these 50 acres.

A possible solution to the problem of improvements is the Veterans Lease which leads toward eventual ownership. The Province made these 10-year leases to World War II veterans as a part of the Dominion's resettlement programs. The veteran-lessee received a $2,320 loan from the Dominion government which became an outright grant if he stayed on the land for 10 years. He had to bring all arable land under cultivation within six years and was allowed remission of rent only for the first year of cultivation. After 10 years he was to purchase the land outright at a price that made allowance for his improvements. Although the Veterans Lease is largely a thing of the past, the prospect of eventual ownership largely solved the problem of lack of compensation for unexhausted improvements and the grants helped to provide needed capital.[8]

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[7]Spence, Modern Land Policy, p. 378; Saskatchewan Commission on Agriculture and Rural Life, Report no. 5, p. 90.

[8]Saskatchewan Commission on Agriculture and Rural Life, Report no. 5, p. 86.

The Commission also pointed out some weaknesses of the Province's leasing policy and offered some suggestions for alleviating them:

1. The cost of clearing and breaking the land often exceeded the $25 per acre the government paid the lessee for this purpose. The Department of Lands estimated the average cost for the Grey-Wooded Soil Zone at $26.42 an acre. Since the government was to own these improvements, the Commission suggested it pay full compensation for them. If the government decided it could not afford to pay the full cost of developing the land, the Commission wondered if the land was worth settling. Since 1953 the compensation for clearing and breaking has been raised to $30 an acre.

2. Because the lessee finds it difficult to raise capital since he can offer no land as security, the Commission recommended that the government advance him the money before he makes the improvements instead of compensating him afterwards as it does at present.

3. The Commission advised that the lessee receive compensation for such improvements as tree planting and grass seeding which are not presently remunerable. The Province, however, did not act upon this recommendation. The Commission also noted, in passing, that cooperative farms in which several farmers participated have helped to develop new land in Saskatchewan more rapidly than have farms with individual lessees.[9]

Related to the problem of improvements is the lessee's lack of capital. The Commission believed that the answer lay with the Dominion government's various loan programs, which it wanted consolidated into a proposed "Canadian Farm Credit Administration." The Commission suggested that the three-year period for repaying loans on machinery be extended, simply because machinery lasts longer than three years. It also wanted a 30-year repayment period on large government loans and allowance for prepayment of loans with commensurate interest reductions. In the private sector it urged bankers to extend more short-term credit to farmers, and it advised farmers and local communities to stop obtaining credit from retail stores and to help themselves by establishing credit unions.[10]

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[9]Thomson (letter, 9 March 1966); Saskatchewan Commission on Agriculture and Rural Life, Report no. 5, p. 86; Saskatchewan Department of Lands, p. 132.

[10]Saskatchewan Commission on Agriculture and Rural Life, Report no. 5, pp. 100-104; Polischuk (letter, 20 November 1968).

The government does not interfere very much with the tenant's farming activities. The Department of Lands rental contract does allow it to dictate a plan of tillage, summer fallow, crop rotation, weed control, and the treatment of grain or other farm produce in order to enhance productivity. In practice, however, the Department has done little to implement its contract powers. The Commission urged the government to supervise the tenant's conservation activities more closely. However, the trend has been in the opposite direction since the replacement of the crop share lease with a cash rental lease has substantially reduced the amount of supervision. The Commission also noted that many lessees were ignorant of the Province's land laws and pointed out that Britain publishes an abbreviated guide to the legislation in the form of a handbook. It also urged a more stringent settler selection process to eliminate poor farming practices. However, because of the dearth of applications for farm lands, this suggestion has proved difficult to implement.

Apart from general land policy, many tenants have been dissatisfied with delays in official approval of sales and leases resulting from the high annual turnover rate of local agents of the Lands Department.[11]

In conclusion--since northern Saskatchewan is a fringe area necessitating extensive improvements, experiences there may have some relevance for the Western United States.

Alberta Land Policies

While the Province of Alberta also has leased public lands since the 1930s, its land disposal program differed substantially from Saskatchewan's before the latter reversed its policies in 1965. In Alberta, alienation of public lands has always remained the ultimate goal with leasing merely a temporary solution. While the Cultivation Lease has easily been the most important intensive agricultural lease in Saskatchewan, the Homestead Lease with the right of conversion to the freehold has been the overwhelming choice in Alberta.

In 1953 Wood, now the Director of Lands in Alberta, recommended that the Province sell, rather than lease, the land wherever possible.[12] Wood pointed out that Alberta farmers, like farmers in Saskatchewan, New Zealand, Australia, and the United States, prefer to hold their land in

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[11] Polischuk (letter, 20 November 1968).

[12] V. A. Wood, "Public Land Policy for Alberta."

fee simple because more status is attached to land ownership. They associate leasing with insecure tenure, lack of compensation for improvements, and lack of freedom of operation. Wood agreed with the Saskatchewan Commission's view that leasing could often prove more beneficial to the farmer than freeholding. Yet, unlike the Saskatchewan Commission, he concluded that the vital consideration was the inability of the average farmer to grasp the advantages of leasing. He recommended farm ownership because it resulted in "a greater willingness to sacrifice time, money, and labor for development " (p. 150).

Since the 1930s, Alberta has disposed of its lands suited for intensive agriculture by sale, Homestead Lease, or by short-term Cultivation Lease. In recent years the Province has virtually abandoned leasing in favor of freeholding. Implementing Wood's recommendations, it has ceased issuing Homestead Leases although 2600 such leases are still in force. Wood envisioned Cultivation Leases as stopgap measures in the southern grazing areas where some land might be turned over to farming under modern farming techniques on an experimental basis. If found suitable for farming, the land could be sold outright. Yet, leases are still important on Alberta public lands, and as of 1967, the following were in effect:

	Number	Total acres
Homestead Leases	2,600	673,333
Cultivation Leases	830	159,634
Miscellaneous leases	1,155	74,596
Grazing Leases and Permits	6,444	4,969,459

In the same year the following sales were in process:

	Number	Total acres
Homestead sales in force	4,199	1,115,290
Agricultural farm sales	1,710	307,927
Public land sales	1,551	231,584

As these figures indicate, there is considerable demand for land in Alberta. Most of this demand is found in the Peace River Valley in the Northwest.

As in Saskatchewan, there has been agitation in Alberta for increasing the size of public land grants to form more viable economic units. In recent years the Province has increased the maximum

area granted from 320 to 800 acres, of which half must be cultivatable.[13]

Rentals are largely paid in cash rather than in crop shares. Under the Homestead Leases, however, the farmer is not required to pay rent on lands he breaks himself during the first three years. In the fourth year he pays one-eighth of the value of his crop. On lands already under cultivation he pays one-fourth of the value of his crop as rent. He may apply for title after five years by paying $100 a quarter or $300 a half section. In the next five years 20 percent of his title payment is written off provided he has fulfilled the government's requirements for improving the land. During the entire 10-year period he pays no taxes, these being calculated in the government's share of his crop. At the end of 10 years he acquires title.

Under Cultivation Leases the rent is based on the assessed value of the land. The government may forgive the lessee his rent for the first four years for breaking the land. At the end of this period, or earlier if 25 percent or more of the land is under cultivation, the rent is a minimum of 30 cents an acre. Under Cultivation Leases, the tenant is not automatically entitled to convert to fee simple ownership as are Homestead Lease tenants. However, he has first choice if the Department of Lands decides to sell the land.

Under the government's Homestead Lease policy, the purchaser may also be forgiven his rent and taxes for up to four years, after which he is required to make his payments in no more than 19 annual installments with 4.5 percent annual interest on the balance. The Department of Lands bases its rent on the assessed value of the land and the cost to the government of providing access to the land.

Agricultural farm sales are used less frequently and are generally for more developed lands. The purchaser's equity is in cash rather than in leasing and breaking, and the payment term is generally shorter. A down payment of at least 20 percent of the purchase price is required with the remainder to be paid in installments with 4.5 percent annual interest on the balance. The years allowed for payment are as follows:

10 years when the purchase price is less than $1,500;
15 years when the purchase price is from $1,500 to $3,500;
20 years when the purchase price is $3,500 or more.

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[13] Alberta Department of Lands, Annual Report, 1967, (Edmonton: L. S. Wall, 1967), pp. 25-29; Province of Alberta, An Act Respecting Public Lands, 1966 (Edmonton: Queen's Printer, 1966), p. 27; Von Eckhard Ehlers, "Landpolitik und Landpotential in den nordlichen Kanadischen Prairie provinzen, "Z Auslandische Landwirt, V (January 1966), p. 55.

Wood considered alternate methods of consummating sales and lease disposals. He preferred sealed bids to public auctions because he believed that auctions unduly inflated the value of the land and that sealed bids came closer to the market value. He suggested that where the available land was inadequate to form an economic farm unit, the government should sell the land to the local farmer who most needed it.[14] In Alberta as in Saskatchewan, there appears to be little disagreement with the government's rental rates or sale prices based on market value.

Insecurity of tenure has not been a serious problem since the government's land policy has been geared to eventual ownership. Homestead Leases are granted for a period of 20 years with a right of renewal for another 20 years, thus providing ample time to convert the leasehold to a freehold. Cultivation Leases are limited to 10 years, with the lessee having first preference if the government wishes to renew it. As noted previously, Cultivation Leases may be converted to purchase agreements if the land is found suitable for agriculture.

Wood recommended in 1953 that the lessee no longer be allowed to assign his lease. Such assignments were often quite profitable because the government's rental rates were generally below the open market rental rates. Provided that he received equitable compensation for improvements, Wood saw no reason why a lessee should make a profit at the expense of the government. While his recommendation was not implemented, the shift away from leasing since 1953 has helped to resolve the problem. On homestead sales the Province does not permit the purchaser to transfer the land unless he has performed the cultivation duties prescribed by the government for at least four years.[15]

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[14]Spence, Modern Land Policy, p. 377; Government of the Province of Alberta, The Public Lands Act, 1966, Cultivation Lease and Permit Regulations (Edmonton: Queen's Printer, 1966), pp. 1-3; Government of the Province of Alberta, The Public Lands Act, 1966, Homestead Sale (Edmonton: Queen's Printer, 1966), pp. 9, 11-14; Government of the Province of Alberta, The Public Lands Act, 1966, Agricultural Farm Sales Regulations (Edmonton: Queen's Printer, 1966), p. 3; Wood, "Public Land Policy for Alberta," pp. 164-66.

[15]V. A. Wood, "Alberta's Land Policy, Past and Present," Journal of Farm Economics 33 (November 1951), p. 741; Alberta Department of Lands, Annual Report, 1967; Wood, "Public Land Policy for Alberta," pp. 160-61; Province of Alberta, An Act Respecting Public Lands, p. 36.

Compensation for improvements has not been an important problem of Alberta's public land policy. The lessee has long been entitled to compensation for permanent improvements. Wood recommended compensation also for an increase in soil fertility and for unjustified disturbance. Although the government still does not compensate for an increase in soil fertility, it does give more consideration to paying compensation for cultivation, clearing, summer fallowing, etc. at the expiration of a lease. Recent legislation has clarified the lessee's rights when rights of way, pipelines, etc. disturb his quiet enjoyment of his lease.[16]

As in Saskatchewan, Alberta farmers have not complained as much about rental rates, insecurity of tenure, or compensation for improvements and freedom of operations as about insufficient capital for improvements. In contrast to Saskatchewan, which extends cash grants per acre to the lessee for putting land into cultivation, Alberta provided no capital to its settlers until recently. However, rents may be forgiven for the first three crop years of the lease. Mortgage payments do not start until the fourth year when fewer than 25 acres are cultivated, the third year when 25-50 acres are cultivated, and the second year when more than 50 acres are cultivated. For every quarter section held, the Homestead Lease farmer is obliged to break and seed to crop a minimum acreage as follows:

Year	Acres to break	Acres to seed
First	10	0
Second	10	10
Third	10	20
Fourth	10	30
Fifth	0	40
Sixth	0	40
Seventh	10	40
Eighth	10	50
Ninth	0	60
Tenth	0	60

Cultivation Lease requirements are similar. Since most of the public lands leased or sold require extensive improvements, the government's land utilization requirements, along with the absence of capital, have posed severe problems which the government has not yet satisfactorily solved. One suggestion for solving this problem is for the government

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[16] Wood, "Public Land Policy for Alberta," p. 160; V. A. Wood, Director of Lands, Province of Alberta (letter, 21 November 1968).

to develop the land before selling it to farmers. Another is that the land should be sold to large private investors who would develop the land and resell to farmers. Both of these methods have been used in Australia.

Wood recommended in 1953 that the Province guarantee loans for improvements made through regular agencies like the Provincial Treasury Board or the Dominion Government Farm Loan Board. To protect itself the government would restrict the larger share of the loan to capital improvements on the land itself. Wood felt that the lessee should be required to invest some of his own money since this gives him more pride in his farm and work. In the past decade, Alberta has begun to extend financial assistance to new settlers through loans with a lenient repayment plan at 4.5 percent interest. Two alternative methods of government assistance suggested by Wood were a direct subsidy, as in Saskatchewan, or government-created, permanent improvements to be rented or sold on easy terms to the lessee. Wood shied away from the latter because it smacks of government paternalism. While he argued that the settler needed capital assistance, Wood believed that too much government help would stifle initiative.[17]

One of Wood's ideas that has been partially adopted was that residence rules should be eased. These rules required the settler to establish residence the first year and to live there for six months of each year thereafter. Wood argued that since most lessees must work away from the farm to obtain sufficient capital for the initial improvements, no residence should be required the first two years and only three months in the third year. The 1966 Public Land Law merely requires three months residence a year for a homesteader who is purchasing his land.[18]

Wood and others have recognized that the government must provide not only land improvement assistance but also more roads and social services to enhance the attractiveness of life in frontier regions.[19]

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[17]Province of Alberta, An Act Respecting Public Lands, 1966, pp. 24, 29, 30; Wood, "Public Land Policy for Alberta," p. 160; Wood (letter, 21 November 1968).

[18]Wood, "Public Land Policy for Alberta," p. 189.

[19]T. W. Manning, Chairman, Department of Agricultural Economics, University of Alberta (letter, 15 August 1968); Wood, "Public Land Policy for Alberta," p. 163.

The Province has never seriously interfered with the farmer's freedom of operation, except in the most extreme cases of abuse. Although the various public land acts demand good farming practices, enforcement is the responsibility of overworked district agriculturalists under the Department of Agriculture, who have been unable to give sufficient attention to it apart from other duties. Wood believed that when necessary, the government should use its police powers to prevent freeholders from causing soil deterioration. He noted that the Provincial government had little statutory authority over landowners and hoped for the enactment of more legislation like the Noxious Weeds Act. He also hoped that the government would specify in its leases the use to be made of the land. Wood conceded, however, that the popular belief in the sanctity of private property probably precluded the acceptance of his recommendations. He suggested that the same end might be achieved by providing farmers with more technical advice and by taxing land on the basis of its productivity. Although Wood's suggestions have not been implemented, the Province has attacked the problem from another angle by screening applicants for public lands. In some areas in recent years it has established boards composed of representatives of the Department of Lands and prominent farmers, to review and make recommendations on applications for public lands.[20]

To conclude--Alberta's land disposal policies for intensive agriculture are probably the most pertinent to the situation in the United States. Although the Province has leased its public lands, its basic goal has been fee simple ownership.

Grazing Leases

Although grazing leases are not the primary purpose of this study, a note on the leasing policy for grazing lands in Alberta and Saskatchewan may be of interest. In neither Province has there ever been any real controversy over public ownership. While Canadians strongly approve private ownership of farms, they agree on public ownership of range land.

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[20] Province of Alberta, An Act Respecting Public Lands, 1966, pp. 15-16; Wood, "Public Land Policy for Alberta," pp. 72, 146, 153; Wood, "Alberta's Land Policy," Journal of Farm Economics, pp. 747-48; Wood (letter, 21 November 1968).

In Alberta, rental rates have been the main source of contention over the years. In the 1930s and early 1940s the rent was based on a flat rate per acre. Ranchers objected to this system because of the low cattle and sheep prices and the droughts of the thirties. In 1945 the government adopted a flexible cash rent that was proposed by Alberta stockgrowers. Under the new method the rent per acre is "one-tenth of the annual rate of gain of cattle on grass in pounds of beef per head, multiplied by the weighted average price of all classes of cattle . . . on the Calgary market . . . in the preceding year, divided by the number of acres required to carry a mature head of cattle on the range for twelve months."[21] Ironically, the plan raised rents rather than lowering them because it was introduced during the postwar era of rising prices. Saskatchewan has since adopted this plan.

Ranchers have been encouraged to practice sound conservation principles. They may not carry as many cattle under the new as they did under the old rate schedule, but the cattle and the range are maintained in better condition. Despite the higher rentals the ranchers are generally satisfied.

Lands are generally leased for grazing for a term of 20 years in Alberta and 21 years in Saskatchewan. The lease is renewable and assignable by the lessee. He is entitled to compensation for improvements, although here again the real difficulty is a lack of capital. Wood wanted the government to provide limited financial assistance to encourage range development and improvements such as reseeding, developing water supplies, and eradicating bush and poisonous weeds. He also favored range management plans worked out by ranchers and government experts.[22]

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[21] V. A. Wood and J. A. Campbell, "A Range Land Rental System Based on Grazing Capacity and the Price of Beef," Journal of Range Management 4 (November 1951), pp. 370-4.

[22] Wood, "Public Land Policy for Alberta," p. 171; Province of Alberta, An Act Respecting Public Lands, 1966, pp. 15-16.

II. AUSTRALIAN LAND POLICIES

Intensive Agriculture

A discussion of Australian public land policy is complicated because it includes the policies of the six separate States that hold most of the public lands. The Commonwealth government is directly responsible only for the Northern Territory and therefore, a wide variety of land policies and legislation exists. Nevertheless, some general characteristics of Australian land policy are discernible. There is much more public than private land, and most of the public lands are used for grazing under a lease. The tenure status of Australian lands is shown in the following table:

Private and public ownership of lands in Australia, by States and Territory, 1964

Government	Total acres (millions)	Private lands		Public lands	
		Alienated	In process	Leased	Other
		percent			
New South Wales	198	30	4	57	9
Victoria	56	57	4	11	28
Queensland	427	6	1	87	6
South Australia	243	7	(*)	60	33
Western Australia	625	5	2	40	53
Northern Territory	333	(*)	(*)	58	42
Tasmania	17	39	1	9	51
Australia	1900	9	2	56	33

Source: Australian Bureau of Census, Yearbook, no. 52 (1966), as presented by Campbell, Agriculture in the Australian Economy, p. 172.

*Less than 1.0 percent.

As in the United States and Canada, Australia has generally freeholded its land for intensive agriculture, although some States have preferred to lease in order to resume land for closer settlement. The State of Queensland and the Commonwealth in the Northern Territory have preferred leasing. But in recent years, even these areas have turned to freeholding.

Special Commonwealth investigating commissions have recommended the freehold over the leasehold. In 1944, the Rural Reconstruction Commission, which studied the prospects for Australian agriculture after World War II, reported that "land ownership implies a freedom from interference, a continuity of existence on one property," and noted the social prestige that land ownership conferred. In 1959 the Commission to Inquire into the Prospects for Agriculture in the Northern Territory recommended that the Commonwealth permit freeholds there. It declared that even a perpetual lease did not provide secure tenure since some of the land could be resumed for closer settlement.

The perpetual lease has been recently defended by Campbell who pointed out that it requires no initial capital investment and that it provides secure tenure which eases the obtaining of production loans and encourages improvement and good farming practices. Like Wood in Alberta, he argued that the perpetual lease is often superior to the freehold. But in Australia, as in Alberta, the popularity of the freehold seems too strong to resist.[23]

At present, the major issue in Australian land policy is the concept of the "home maintenance area" which has been written into land legislation of every State. The home maintenance area is generally defined as, "an area which when used for the purpose for which it is reasonably fitted would be sufficient for the maintenance in average

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[23]Keith Campbell, "Land Policy," Agriculture in the Australian Economy, ed. D. B. Williams (Sydney: Sydney University Press, 1967), p. 172; A. C. Lloyd, "The Economic Size of Farms," Journal of the Australian Institute of Agricultural Science 27 (September 1961), p. 140; Commonwealth of Australia, Department of Territories, Committee to Inquire into the Prospects of Agriculture in the Northern Territory, Prospects of Agriculture in the Northern Territory (Canberra: Queen's Printer, 1959), p. 156. Hereafter cited as "Committee on the Northern Territory"; Keith Campbell, "Current Issues in Australian Agriculture," delivered as the G. L. Wood Memorial Lecture at the University of Melbourne on 26 August 1966.

seasons and circumstances of the average family." This concept dates from the turn of the century and has been used to encourage the family farm under both freeholding and leasing.

Since World War II the interpretation of the home maintenance area concept has been sharply criticized by economists. As Australia has become even more conscious of agriculture as the basis of its economy, it has tended to emphasize economic factors at the expense of social considerations. Critics of the home maintenance area concept stress that modern technology has expanded the area that may be farmed adequately. They also argue that a static formula based on an "average year" founders on wide fluctuations in annual rainfall or farm prices. While few want the home maintenance area abolished, most urge its revision so that it will work to expand, rather than to contract, farm size.[24]

On Australian lands, complaints about rents have not been a significant problem. Political pressure, as in Canada and the United States, tends to cause land to be undervalued for assessment. A typical rental rate is 2.5 percent of the assessed value of the land. Lessees often sell their leases before their terms expire and often realize handsome profits because purchasers are willing to pay for the difference between the government's low rental rate and the rental value of the land in the market place.

Current criticism of rental policy does not come from settlers but from economists anxious that the government earn a fair return from its property. Campbell believes that the lessee should not profit from the government's low rent when selling his lease, and MacPhillamey wants more frequent valuations so that rents will keep pace with rising values.[25]

There has been some objection that any lease short of a perpetual lease or purchase lease does not provide secure tenure. Queensland and the Northern Territory have traditionally limited their leases

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[24]Campbell, Agriculture in the Australian Economy, p. 174; Samuel Wadham, Australian Farming, 1788-1965 (Melbourne: F. W. Cheshire, 1967), p. 46; J. N. Lewis, "Is the Concept of the Home Maintenance Area Outmoded?" Australian Journal of Agricultural Economics 7 (December 1963), p. 104.

[25]Campbell, Agriculture in the Australian Economy, p. 175; Committee on the Northern Territory, p. 156; C. H. MacPhillamey, "Factors Affecting Rural Land Prices in N.S.W. and the Construction of Indexes of Rural Land Values," Australian Journal of Agricultural Economics 8 (December 1964), p. 153.

to 25 to 40-year periods in order to regain land for closer settlement. Campbell and Gruen argue that this policy is anachronistic since the shorter term provides relatively little incentive for capital investment in an age when such investment has become especially important.

In recent years Australia has endeavored to provide more security of tenure. In 1952 Queensland alleviated some of the lessee's uncertainty by allowing him, if his term had more than seven years to run, to retain a home maintenance area when the lease is terminated for subdivision into smaller units for closer settlement.

New South Wales in 1966 relinquished its right to repossess land for closer settlement on a large number of estates. And the Northern Territory has allowed its leases to be renewed for a full term before repossessing the land. Presently, most Australian leases for intensive agriculture are perpetual with provision for freeholding after the pattern set by the Commonwealth in the War Service Settlement Scheme in the 1940s.[26]

Freedom to improve is currently not a problem since in most Australian States the lessee receives compensation for permanent improvements. Instead, lack of sufficient capital for improvements is the prevailing source of discontent. By 1967 standards it is estimated that £40,000 are needed to buy a grain farm and equip it with machinery and livestock. Critics have generally recommended adjustments, but no major changes have been made by present credit agencies, which include trading banks and pastoral finance companies.

To permit farmers to adopt scientific technology, more credit is needed. But the Committee to Inquire into the Prospects of Agriculture in the Northern Territory recommended that the government should avoid as much as possible the extension of direct credit to the farmer. It should also be noted that one reason the States have turned to the freehold lies in the inability of leaseholders to obtain capital because they cannot offer freeholds as security.

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[26]Campbell, "Current Issues in Australian Agriculture," p. 7; F. H. Gruen, "Capital Formation in Australian Agriculture," Australian Journal of Agricultural Economics I (February 1957), p. 102; T. H. Strong, "Land Tenure in Australia in Relation to Technical Advances and Closer Settlement," Journal of Farm Economics 38 (May 1956), p. 463; Campbell, Agriculture in the Australian Economy, p. 177; Committee on the Northern Territory, p. 154.

The State governments, however, compound the capital problem by requiring lessees to develop their land rapidly. Western Australia, for example, requires the holder of a conditional purchase lease to clear and pasture 1000 acres of a 2500-acre farm in a five-year period. Moncrieff showed that only farmers with an initial capital of $25,000 could comply with this requirement and still achieve the maximum return. Below the $25,000 level they would have to use less seed and fertilizer with a corresponding reduction in net profit.[27]

Since World War II Australia has experimented with three possible solutions to the farmer's capital conundrums: (1) the War Service Land Settlement Scheme, (2) State government development projects, and (3) private development by land investment companies. Under the first approach, the States improved the land, often erecting structural improvements. Even after the basic developmental phase, the States granted the settler a living allowance until the land was brought up to standard. Although the value of the improvements was added to the settler's rent or purchase price, the government never recovered its full investment in land or development. The program was regarded as successful, but it is doubtful that it could be revived today because it rested on the non-economic objective of rewarding veterans, while today's objectives are more strictly economic.

Although the veterans' demand for land has abated, some State governments have continued development programs now open to all settlers. The Commonwealth government has continued to provide financial assistance. There are several current governmental projects for intensive agriculture. One is the Brigalow Land Development Scheme in Queensland in which farms are being made available for cereal and wheat production and stockgrowing. Another is the Coleambally Irrigation Area project in New South Wales where 1000 new farms are being planned to produce fruit and vegetables along with cereals and wheat. There are also two projects in Western Australia--one in the Oral River valley where the feasibility of irrigated crops of cotton, sorghum and safflower is being investigated and one in the Esperance area in the Southwest which is devoted to stock raising and cereal growing. Because the world market price for beef is much more favorable than for wheat and cereal crops, Australia hesitates to undertake additional projects. The land is made available in a variety of leases and purchase agreements, but all the

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[27] I. J. Moncrieff, "The Land Act and Farm Development," Farm Policy 3 (September 1963), p. 47; I. J. Moncrieff and R. G. Mauldon, "The Effect of Land Clearing Regulations on the Rate of Farm Development--A Case Study," Australian Journal of Agricultural Economics 7 (December 1963), p. 176.

lands devoted to intensive agriculture can eventually be freeholded. Unlike the Commonwealth's War Service Land Settlement Scheme, the State governments do not give special subsidies. Rather these State plans tend to impose minimum capital requirements.

In addition to public land development, Australia has also experimented with private programs, which so far have not proved very successful. This approach still suffers from the failure of the Esperance Scheme in Western Australia in the 1950's. There the State gave a syndicate of Australian and American investors an option on 1,500,000 acres at 45 cents an acre. The syndicate was to develop the land and sell to settlers at a price allowing for a fair return on the investment. The program collapsed, however, because in its haste for quick profits, the company developed the land too rapidly. In 1959 the State withdrew the syndicate's option and began to dispose of the land itself.

In 1960 Western Australia signed a contract with another private group which agreed to spend $4,600,000 to develop 1,500,000 acres by 1974. As of 1967, the plan was working successfully. Campbell hopes that better use can be made of private development companies because capital is short at present, and these companies provide access to American investors.[28]

Farmers have a high degree of freedom of operation in Australia. The government does not strictly enforce its right to exact sound farm practices from its lessees, although it does demand removal of vermin and noxious weeds. And here, as in Canada and New Zealand, experts such as Campbell want the government to supervise more closely freeholders as well as leaseholders, but because farmers have more votes than agricultural economists, it is doubtful if these recommendations will have any more effect than similar suggestions by Wood in Alberta.[29]

In conclusion--it appears that in the future, credit facilities for farmers will continue to be less than ideal, and that while the States will continue to develop land, private companies will become more important. Farmers who have, or can obtain, capital needed for development

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[28]T. P. Field, Post-War Land Settlement in Western Australia (Lexington, Kentucky: University of Kentucky Press, 1963), pp. 11, 12, 43; S. F. Harris, Director, Bureau of Agricultural Economics, Commonwealth of Australia (letter, 21 August 1968); Campbell, Agriculture in the Australian Economy, p. 181; Campbell, "Current Issues in Australian Land Policy," p. 7.

[29]Campbell, Agriculture in the Australian Economy, p. 183; Committee on the Northern Territory, p. 155.

will be most likely to secure land. Also, because present limits on farm size prevent a desirable income level for the farm family, it seems safe to predict that size limitations will be revised upward.

Individual States

Because there is some variation in land policy among the various States, it seems best to discuss a representative group, including Queensland, the Northern Territory, Western Australia, and New South Wales.

Queensland

Queensland, alone among the Australian States, has a tradition of favoring the leasehold over the freehold and resuming land for closer settlement. Of its 427 million acres only 6 percent are alienated, and 87 percent are leased. Except for a three-year period, the State sold no Crown land between 1916 and 1957. It disposed of lands for intensive agriculture by perpetual lease. In 1957, however, in order to attract more investment, it began to sell land again and permitted the conversion of perpetual leases to the freehold. It has continued to liberalize its laws, even permitting the conversion of grazing leases.

At present there are three major methods of obtaining land for intensive agriculture in Queensland. The two most prevalent are freeholding and perpetual lease. Under both tenures a settler may acquire usually no more than 2500 acres although he can obtain up to 5000 acres if he is willing to spend at least 10 dollars an acre on land improvement. The selling price of public land, whether purchased outright or secured by conversion of a perpetual lease, is based on the unimproved value of the land. The price set is to be paid in annual installments without interest. Both freehold and perpetual lease tenures have residence requirements. Rents for perpetual leases are 2.5 percent of the capital value of the land, and the rents are reviewed every 10 years.

A third tenure is the Settlement Farm Lease, which is designed for semi-arable lands used for mixed farming and grazing. It obligates the lessee to cultivate a specified area within a specified time. Its term is 30 years with the rental reviewed every 10 years. The lessee must observe residence requirements and may convert the lease to a freehold.

At present the most favored agricultural areas have been freeholded. Very little land remains for intensive agriculture because Queensland prefers to develop potentially arable land for stockgrowing in view of the current world market prices. In general, there seems

to be little dissatisfaction with Queensland's land policy, although there has been some criticism of the government's policy regarding compensation for improvements. While the government pays for structural improvements, it does not compensate the lessee for the clearing costs which in more primitive areas are quite high. Critics have charged that this lack of compensation retards development.[30]

The Northern Territory

The Northern Territory is the most arid region of Australia and grants very little land for intensive agriculture. Less than 1 percent of its 333 million acres is alienated or private land. Virtually all of its occupied land is held on lease. Of these 140,000,000 leasehold acres, only 143,000 are held on agricultural leases, and much of this land is held under a mixed farming-grazing lease. Agricultural leases are perpetual with a review of the rental every 10 years, although there is a ceiling beyond which the rent may not be raised. The lessee is obliged to fulfill a residence requirement.

The Commonwealth has tried to stimulate the development of the Northern Territory's unpromising land for intensive agriculture. It remits the lessee's rent for the first 21 years or his lifetime, whichever is shorter. In 1956 it introduced the Agricultural Development Lease which appeals to private development companies. The developer's term may not exceed 30 years, and he must subdivide all or part of his land for agricultural leases. He is, however, entitled to compensation for improvements. The Committee to Inquire into the Prospects for the Development of Agriculture in the Northern Territory recommended shifting from the perpetual lease to freeholding in order to attract new capital for agricultural development and to provide security for settlers seeking loans. The Commonwealth now permits land to be freeholded, subject to restrictions, some of which are uncommonly

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[30] Commonwealth Bureau of Census and Statistics, Queensland Office, Queensland Yearbook, 1966 (Brisbane: Queen's Printer, 1966), p. 139; V. B. Sullivan, Digest of the Land Laws of Queensland (Brisbane: Queen's Printer, 1968), pp. 1-13; W. A. T. Summerville, "Settling Brigalow Lands," Queensland Agricultural Journal 88 (December 1962), p. 705; W. Bott, "Plough Moves into the Goondivindi District," Queensland Agricultural Journal 89 (May 1963), p. 292; Secretary of Land Administration Commission, Department of Lands, Queensland (letter, 23 August 1968); Wadham, Australian Farming, p. 76.

rigid. It forbids selling land to an incorporated company and limits the maximum area one person may hold to 20,480 acres. It also does not permit the new owner to transfer or sometimes even to mortgage his land without official consent, and it limits the purchase period to no more than 20 years.

Freedom of operation is the rule in the Northern Territory, although the Committee recommended that the government make more use of its power to enforce good farming practice.[31]

Western Australia

Western Australia has a strong freehold tradition. Under its 1893 Homestead Act, it granted 160 acres free to settlers. The provision remains in the current Land Act, passed originally in 1933, although it is a dead letter since the best land has long since been taken. The major lease for intensive agriculture is the Conditional Purchase Lease. Purchase payments are spread over 25 to 30 years and extensions are permitted. A Conditional Purchase Lease is limited to 5000 acres. The State ordinarily requires the lessee to develop half of the land within 11 years.

In Western Australia, as elsewhere, the trend since World War II has been toward making ownership easier. In 1951 the State allowed war veterans, who were holding perpetual leases under the War Service Land Settlement Scheme, to purchase in fee simple after 10 years. In 1960 it amended this to permit freeholding in less than 10 years.[32]

New South Wales

In its early years New South Wales' land policy oscillated between the perpetual lease and the freehold. The freehold system is currently dominant although the State grants farm lands on perpetual leases with the right to convert to the freehold. The land legislation is complicated by the fact that the State does not administer all of its lands.

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[31] Committee on the Northern Territory, pp. 151-7; Commonwealth Department of the Interior, "Land for Settlement in the Northern Territory," unpublished manuscript (February 1968), pp. 1, 7.

[32] T. P. Field, Post-War Land Settlement, pp. 10-11, 55-58; Commonwealth Bureau of Census and Statistics, Western Australia Office, Western Australia Yearbook, 1967 (Perth: Queen's Printer, 1967) pp. 235-238, 242-244.

The grazing lands in the western part of the State are administered by the Western Lands Commission and those in irrigation areas by the Water Conservation and Irrigation Commission.

Public land leases in New South Wales are held under the Agricultural Holdings Act of 1941 which governs both private and public leases. The Act was based on England's Agricultural Holdings Act of 1923 and is, by far, Australia's most ambitious attempt to protect the tenant. While earlier laws granted the tenant fixity of tenure, freedom to improve, and freedom to operate, they also allowed him to renounce those rights. Many landlords required the tenant to relinquish these rights, especially compensation for improvements. The 1941 Act forbids the tenant to contract away these rights. The New South Wales Agriculture Holdings Act also protects the tenant's right to compensation for such items as hay and straw stored on the farm at the end of the lease, to any increased value of the holding resulting from a higher standard of farming than required, and for disturbance of tenure. If the landlord effects improvements himself, he may not charge the tenant an annual rent of more than 5 percent of his cost. The law also protects the landlord from the cost of unnecessary improvements made by the tenant. The tenant may practice any form of cropping he desires and cannot waive this right. However, the landlord is entitled to compensation if the tenant injures his land.[33]

Campbell notes that, despite its scope, the Act has fallen somewhat short of expectations:

> The chief defect . . . is that both the provisions covering payment of compensation to tenants and those requiring adequate notice to quit have generally proved ineffective in the case of verbal agreements. This is because the Act conflicts with the seventeenth century English Statute of Frauds which applies equally in Australian law and which provides that any agreement not performed within one year must be in writing if it is to be enforceable. Unfortunately, verbal agreements are rather prevalent, and landlords themselves are disposed to avoid written contracts under present circumstances. There is also mounting agitation by landlords for amendment of the Act on the ground that the legislation as it now stands makes it excessively difficult to dismiss inefficient and incompetent tenants and share farmers.[34]

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[33] A. W. S. Moodie, "Farm Tenancy in New South Wales--The Agricultural Holdings Act, 1941, and its Application," Agricultural Gazette of New South Wales 54 (1943), pp. 206, 209, 261, 264, 266, 308.

[34] Campbell, Agriculture in the Australian Economy, pp. 176-7.

Grazing Leases

While Australians prefer freeholds for intensive agriculture, they prefer leaseholds for grazing lands. The Committee to Inquire into the Prospects for Agriculture in the Northern Territory expressed the prevailing view when it recommended retaining the leasehold on pastoral land for the immediate future to prevent overgrazing and other malpractices and to protect the State from selling land at very low prices.

A variety of tenures is used for disposing of Crown lands for grazing as illustrated by the land law of Queensland. The State employs the Pastoral Lease in the remote areas where more than 45,000 acres are needed for a living area. The term is generally no longer than 30 years with rent adjustments at 10-year intervals. The State also grants a Pastoral Development Lease where costly improvements are needed to improve carrying capacity and productivity. The Pastoral Lease and Pastoral Development Lease are the only two without limitations on the amount of land that can be held without prohibitions against corporation farming and without residence requirements. They are, however, the only two leases in which the State retains the right to resume a portion of the land before expiration, a right that may be exercised over as much as one-third of the land after 15 years.

Two other popular holdings are the Preferential Pastoral Holding Lease and the Grazing Homestead Lease. Both are designed for more closely settled areas. The Preferential Pastoral Holding Lease is generally granted for land on the fringe of closely settled areas or for poorer quality Crown Land within these areas. The maximum area that may be held under this tenure is ordinarily 60,000 acres. The Grazing Homestead Lease is limited to a maximum of 45,000 acres although this ceiling can be raised to 60,000 acres. Both leases exclude corporations and impose residence requirements. Grazing leases also often require that livestock be limited to reasonable carrying capacity. However, both leases provide considerable security of tenure in that the government may not resume land before expiration of the lease term.

In all of its leases Queensland has made an effort to mitigate the tenant's uncertainty near the end of his tenure. It permits him to surrender his land at any time within the last 10 years of his term for a new lease. Although the lessee often must relinquish some land for closer settlement in the new lease, he has the advantage of a more secure tenure in the remaining area.

Queensland's leasing policy for grazing lands is typical of that of the other Australian States. In the even more sparsely developed States of South and Western Australia, however, grazing leases run for still longer periods--up to 99 years. The ranches are much larger--a ranch of 75,000 acres is considered a small grazing unit. Some stations may include as much as 420,000 acres. Annual rentals average $2.25 per square mile. Australian graziers seem well satisfied with their conditions. An American visitor in 1958 observed that most of the operators were well educated and efficient. As a result, they enjoyed a high standard of living despite their remote locations. He concluded that these lessees enjoyed "an unusual security of tenure." In the light of the waning enthusiasm for closer settlement and smaller living areas, it appears that Australian ranchers will become even more secure in the foreseeable future.[35]

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[35]Sullivan, pp. 1-13; Royale K. Pierson, "Public Land Grazing Down Under," Our Public Lands 7 (April 1958), pp. 4-5, 12-14.

III. NEW ZEALAND LAND POLICIES

Much of New Zealand's public land policies are not relevant to intensive agriculture since its agricultural economy is based primarily on cattle and sheep grazing. As of 1963, it devoted only 406,000 acres to cereal production and 813,000 acres to grain, root, and other crops.

Of New Zealand's 40 million acres of occupied land, 22 million acres are privately held while 18 million acres, or 45 percent, are public lands belonging to the Crown. Of the 18 million acres, 2.6 million acres are held under 5,000 Renewable Farm Leases and 0.5 million acres under 1400 deferred payment farm licenses. The Renewable Farm Lease is used to dispose of cropland and can be converted to a freehold. Cropland is also sold for cash or deferred payments. The typical farm lease runs for 33 years and may be renewed. The basic land law, the Land Act of 1948, specified that rentals shall be 4.5 percent and deferred freehold payments 4.62 percent per year. However, in 1956 both rates were eliminated, and charges are left to the discretion of the Land Settlement Board.

The history of New Zealand's public land policies is similar to that of other nineteenth century frontier regions such as Canada, Australia, and the United States in that it originally stressed selling the land to encourage private settlement. In 1894, however, with the Liberal-Labor Party in power, the government became more discriminating in its land grants and also began to resume land from the large private estates for closer settlement, a policy which is still continued. The Liberal-Labor government also favored the perpetual lease over freeholding. But the fee simple tradition was so strong that the government granted no more perpetual leases after 1907. However, some 6000 granted before 1907 still exist today. The pressure of the small farmers continued, and in 1912 the Reform Party returned to power to extend the right to freehold Crown leases. Since 1912 the trend toward freeholding has continued uninterrupted to the present time and meets with general approval.[36]

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[36] Horace Belshaw, "Land Tenure and the Problem of Tenurial Reform in New Zealand," Family Farm Policy, ed. Joseph Ackerman and Marshall Harris (Chicago: University of Chicago Press, 1947), pp. 175-80; New Zealand Department of Statistics, New Zealand Official Yearbook (Wellington: Government Printer, 1964), pp. 286, 288; R. J. MacLachlan, "Land Administration in New Zealand," address read before the 1967 Conference of the New Zealand Institute of Valuers, pp. 9-11.

During the 1960s farmers charged the government with placing excessive valuations on its land, to which the government responded by appointing a special investigating committee that reported in 1968.[37] The Committee recommended several changes for Crown lands. Noting that the 33-year lease in a period of rising land values unfairly discriminated against the Crown, it suggested that charges be reviewed every 11 years. To soften the effect of this change, it suggested that the Crown charge 0.5 percent less than the prevailing interest rate.

The 1968 Committee recommended that perpetual leases be converted into freeholds although it did not specify how this should be done. The Committee also recommended instituting a purchase lease, already in use in some Australian States. This purchase lease requires no deposit but calls for an annual fee which includes the purchase price and rent. The Committee hoped that this lease, which is similar to a long-term mortgage, would meet the needs of settlers for greater security of tenure.[38]

The 1968 Committee also suggested changes in the government's fees for converting a lease into a freehold. At present the government does not credit a lessee with the market value of his low rental lease. This low rental during a period of rising land values constitutes an asset which the lessee can realize by selling the lease. Although earlier land laws recognized this as the lessee's asset when calculating the freeholding charge, current legislation does not. The 1968 Committee recommended the amending of the Land Act of 1948 to allow the lessee to deduct this asset from the purchase price if he should convert to the freehold.

As noted earlier, the 1968 Committee recommended that perpetual leases be discontinued. Since these leases--actually 99-year leases--are relics of the 1894-1907 era when land values were much lower than today, the rents charged are extremely low. Yet the Committee offered no advice on how to induce these lessees to freehold, and it is doubtful that they will voluntarily give up their comfortable situation without substantial inducement.

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[37] Report of the Committee of Investigation into Rentals and Freeholdings of Crown Leases (Wellington: Government Printer, 1968), p. 14. Hereafter cited as "1968 Committee."

[38] MacLachlan, p. 12; New Zealand Department of Statistics, pp. 286, 288; 1968 Committee, pp. 16, 18.

It should also be noted that, unlike the Canadian Province of Saskatchewan, New Zealand makes no provision for reducing rents in the event of a crop failure or low prices, However, New Zealand's climate is stable enough so that crop fluctuations are not a serious problem.[39]

Aside from fair rents there has not been much of a problem on the public lands of New Zealand. Fixity of tenure is generally guaranteed by the standard 33-year lease with the right to renew for another 33 years. In some cases, generally for conservation reasons, the government reserves the right of renewal and limits the lease's length.

The Crown also permits the lessee the right to convert to the freehold and the right to sell the lease. On this latter point, the Committee ruefully noted that the great demand for land caused many settlers to lease land at rental rates equal to those being paid for freeholds and also to accept the added risk of increased rates at renewal time.[40]

Compensation for improvements is standard in Crown leases. The lessee may purchase Crown improvements at any time (with the approval of the Land Settlement Board) in cash or on a deferred payments basis. The lessee is responsible for maintaining the government's improvements and must insure Crown property.

The 1968 Committee did find some confusion and discontent among lessees with government owned improvements. Although these improvements are not always mentioned or clearly defined in the lease, their value is included in the rent. Under the 1948 Land Act the lessor is entitled to the current value of his unexhausted improvements. The government, therefore, has a problem in determining its unexhausted improvements and in valuing them at current prices. Moreover, if the lease changes hands, there is often considerable confusion over the ownership of various improvements and also disagreement over the amount of compensation to be paid. The 1968 Committee sided with the lessee and recommended that the government sell the improvements at their value to the lessee rather than at their current value. It argued that although the Crown would lose the increased value, it would at least save the time and money spent trying to prove the value of improvements.[41]

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[39] 1968 Committee, pp. 15-16; Belshaw, Family Farm Policy, p. 201.

[40] New Zealand Department of Statistics, p. 298; 1968 Committee, p. 20.

[41] 1968 Committee, pp. 17-18.

Historically, capital has been less of a problem for New Zealand farmers on public land than for farmers in the Canadian Prairie Provinces. The government's rural loan program dates back to 1894 and has been improved steadily over the years. A milestone in its development was the Marginal Lands Act of 1950 under which the government provides advice and loans to farmers needing capital to develop marginal lands but who lack sufficient security to borrow from normal lending institutions.

The government itself has long maintained a program to develop marginal lands. In the 1941-1966 period it developed 1.8 million acres on which it settled 4,160 individuals, 3,500 of whom were ex-servicemen. Of this land 30 percent was owned by the Crown, 60 percent was private land acquired voluntarily for closer settlement and 10 percent was private land acquired under compulsion. The impetus for public land development came from the veterans settlement program which virtually ceased in the early sixties. But the government believed that economic benefits justified continuing the program, and the Crown is proceeding to develop another one million acres for at least 1,500 settlers.

Since the government makes many improvements on the land, it keeps control until it recovers the costs. It not only constructs houses and other farm buildings, but it also seeds and fertilizes grasslands. The government retains the land until the grazing capacity is firmly established, and meanwhile it markets the produce. In the mid-sixties the Crown's revenue from its land development program in a typical year was $6.2 million of which $4.8 million was derived from the sale of farm products, and only $1.4 million from time payments on land and improvements. The government relinquishes the land only when it is convinced that the incoming farmer can make a living from the start. The units granted vary from 500 to 800 acres. Virtually all of this new land is devoted to grazing.[42]

A popular method for settling ex-servicemen after World War II was to employ them for wages on land being developed and to allot them a section of this land when the development was completed. When the emphasis shifted to settling civilians in the 1960s, the government stressed financing the settler over and above his deposit of 10 percent of the total value of the land, improvements, and stock.

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[42] C.A. McIlroy, "How the State's Land Development Program Meets the Challenge of Change," Service (New Plymouth, Summer 1966), pp. 4-9.

The Crown's land development program is popular. A recent criticism has had nothing to say about improvements or capital availability but has come from South Islanders who feel that the government has slighted them in favor of developing North Island.[43]

As in the other areas studied, the New Zealand government does not interfere significantly with the lessees' operations but has tried to avoid this problem largely by screening out undesirable applicants. The 1968 Committee recommended that the government reject applicants who are so heavily indebted that they might not follow sound conservation practices.[44]

In sum, New Zealand has disposed of public land for intensive agriculture for the past 60 years through the freehold, with leasing a temporary expedient. Generally, the government's leasing policy has been satisfactory. The main complaint has recently come from farmers disturbed at the high evaluations of public lands, and this complaint appears to be near a solution.

As for grazing lands, New Zealand--like Saskatchewan, Alberta, Australia, and the United States--prefers to lease them. There are two basic leases, the Pastoral Lease for 33 years with a right of the renewal and a Pastoral Occupation License which runs for a term of up to 21 years and carries neither a claim to the land itself nor the right of renewal. Rentals for pastoral leases varied from $1-3 a square mile at 1958 prices, but the lessee is ordinarily required to make annual improvements such as fencing, water development, and tree planting. The pastoral lessee is entitled to compensation for permanent improvements, but the holder of a Pastoral Occupation License has no such claim unless the Land Settlement Board grants an exception or unless the license is renewed. As of 1963 there were 448 Pastoral Leases covering 6.8 million acres and 54 Pastoral Occupation Licenses covering 0.5 million acres.[45]

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[43]McLachlan, pp. 10, 13, 14; Department of Lands and Survey, Annual Report, 1968 (Wellington: Government Printer, 1968), p. 5.

[44]McLachlan, p. 13; 1968 Committee, p. 23.

[45]New Zealand Department of Statistics, pp. 98, 300; Pierson, "Public Land Grazing Down Under," pp. 4-5, 12-14.

IV. LAND DISPOSAL POLICIES IN THE NETHERLANDS

The only government studied which stresses leasing rather than selling public lands for intensive agriculture is the Netherlands. Virtually all of its public lands consists of "polders" that have been reclaimed from the North Sea at great cost. Because of this cost the government seeks to realize the greatest possible return on its investment. Apparently it believes this can be more readily achieved by leasing than by selling the land outright.[46]

When completed in the 1970s the polders will yield 500,000 acres of additional farm land to a nation which now possesses only five million acres. Because Netherlanders farm very intensely, the individual plots on the polders are limited to between 30 and 120 acres, with 70 percent consisting of 60 acres or less. As in the other States studied, the Netherlands has attempted to define an adequate farm size for leasing the redistributing land. Presently, there are two schools of thought on the subject. One advocates a size of 15 to 25 acres which will allow an individual farmer "to utilize his entire capacity for work in a rational way." The other faction favors about 35-38 acres to provide sufficient work for two men. It assumes that the farmer will be aided by his sons. Both methods have been applied by local boards under the Land Consolidation Act of 1954. In general, the smaller farms are for market gardening while the larger farms are livestock or dairy farms.[47]

Since the Netherlands has no crop share leases, even under private leasing, all rents are payable in cash; however, the rents are low. Because of the tremendous demand for land since World War II, the government has felt it necessary to hold down all land rents by rent controls. The rents charged are based on soil productivity and also on the value of Crown improvements, which are quite extensive.

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[46] Public Relations and Information Department of the Netherlands Ministry of Transportation and Waterstaat, From Fisherman's Paradise to Farmer's Pride (The Hague: Netherlands Information Service, 1959), p. 52.

[47] Franklin J. Reiss, "New Lands" unpublished and undated paper, Agricultural Economics Department, University of Illinois, (written since 1958); Ministry of Transportation and Waterstaat, From Fisherman's Paradise to Farmer's Pride, p. 48; S. Herweyer, "The Reclamation of, Distribution of, and Settlement in New Cultivatable Land," Netherlands Journal of Agricultural Science 5 (August 1957), p. 170.

The government not only reclaimed the land but also constructed the farm houses. Rents range from £80 an acre-year for sandy and peat soil to £165 an acre-year in the heavy loam soil zone. Rents may be reviewed every three years, but there is no adjustment for changes in commodity prices. The tenant may appeal the lessor's decision to the local Land Chamber whose rulings may in turn be appealed to the Central Land Chamber.[48]

A lack of capital, which handicaps lessees in the other countries included in this study, is not a severe problem in the Netherlands. Since there is a tremendous demand for polder land, the government sets up rigid requirements for tenants, including capital resources. It demands that the applicant have available £640/acre or £38,400 for a 60-acre plot; 25 percent of the total must be the applicant's own money, but up to 50 percent may be borrowed from relatives or others, and up to 25 percent may be in the form of loans from the local Farmers Credit Bank with repayment guaranteed by the Central Farmers Credit Bank.

The government employs additional criteria in selecting tenants; since it is really establishing whole new communities on the reclaimed land, it seeks a population balanced by age, religion, and provincial origin. It also gives preference to applicants who are abandoning uneconomic farm units or who have lost farms in the public interest, for road construction, etc.[49]

The land is leased for 12 years, the minimum period for land with buildings under the Land Rent Act of 1958 that regulates public and private leasing arrangements. The lease is automatically extended for six-year periods unless either party gives notice. Netherlands law allows the government to evict the tenant only for poor husbandry or if land is to be used for a public purpose. The tenant's heir succeeds him, but he must meet certain requirements. Although the State is considering leasing the land for longer terms, the present system seems to guarantee the tenant reasonable security of tenure.

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[48]Reiss, "New Lands," p. 4; Cornelius D. Scheer, "The Place of Tenancy in the Agriculture of the Netherlands," Land Tenure, eds. Kenneth Parsons, Raymond J. Penn, and Philip M. Raup (Madison: University of Wisconsin Press, 1956), pp. 520-1; Foreign Information Service, Ministry of Agriculture and Fisheries, Agriculture in the Netherlands (The Hague: Government Publishing and Printing Office, 1962), p. 52; Ministry of Transportation and Waterstaat, p. 48.

[49]Ministry of Transportation and Waterstaat, p. 54.

The government owns the major improvements such as the farm house, and is responsible for their basic maintenance. Under Netherlands law the tenant is responsible for minor repairs and provides his own machinery and livestock. All improvements are insured by their respective owners. Under the Land Act of 1958, the tenant receives reimbursement for his improvements. Compensation may not exceed the appreciated or increased value of the farm. The amount of use the tenant obtained from his improvements is deducted from his reimbursement. Because the government owns the major improvements on the polders, no great problem of compensation exists.

The State apparently does not impose any more rigid conditions on farming practices than do most nations. It should be remembered that the initial selection process almost always sifts reliable tenants from a host of applicants.[50] In general, the government's leasing policies are well received.

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[50]Ministry of Transportation and Waterstaat, p. 52; Scheer, The Place of Tenancy, pp. 520 ff.

V. SUMMARY AND CONCLUSIONS

Leaseholds and freeholds are widely used methods of disposing of public lands in Alberta and Saskatchewan, Canada, and in Australia, New Zealand, and the Netherlands. The granting of freehold estates is the trend for cropland (except in the Netherlands where almost all public land is leased) while leaseholds remain common for grazing lands. When leaseholds are available for cropland, they are generally for long terms or are perpetual leases. Since more status is attached to land ownership than to leasing, the freehold is the overwhelming choice of farmers, and in many of the Provinces and States the leasehold can be converted into a freehold. The provision for converting is a response to the fact that farmers feel the need of security or fixity of tenure if they are to be free to improve and to operate in a manner that benefits both private and public interests.

The question of fair rents is a constant one, and there appears to be no entirely satisfactory answer. Sale of the land to the farmer is the most popular disposition method, but it too presents problems of land valuation. Various methods of determining value are in use. The sale by sealed bids or open auction is perhaps the least burdensome from an administrative standpoint. Its dangers are that through ignorance of land values, over optimism, or desperation, the farmer may bid more than can be paid for with the income of the farm.

Credit for improvements on both freeholds and leaseholds is also a problem. The down payment on the freehold frequently absorbs capital needed for improvements. The leasehold also has the disadvantage of not being as good security as a freehold for improvement loans.

Farm size has been a major concern of settlers, and they have agitated for increases in the acreage of public land grants. In recent years most of the governments have raised the acreage limits to allow units to become more economically adequate. In Alberta the maximum land grant was increased from 320 to 800 acres, and a similar revision has been made in Saskatchewan.

Whether to dispose of land by leasehold or freehold also involves the basic question: can farmers be trusted, or induced, to handle the land under a freehold so that both private and public interests are better served than under a leasehold? Under the leasehold the State can reserve control over land use by provisions in the lease; however, whether this right to control can be effectively exercised is another matter. The evidence that the State can prevent abuse of land by lease provisions is not impressive.

APPENDIX

CHAPTER 8

LAND POLICY

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Land policy loomed very large in public thinking and action in Australia in its early days. The colony of South Australia was in fact founded in 1836 as a practical test of Edward Gibbon Wakefield's particular theory of land settlement.[1] In the nineteenth century, revenue from land sales was for a long time a major source of public revenue. Parliamentary elections were won or lost on land policy issues.

Today, the administration of land is essentially concerned with carrying out settled policy. It is true that in some Australian States the platforms of the political parties still reflect the beliefs of 50 years ago that subdivision of pre-existing holdings (closer settlement) is the major means of promoting rural development. But as the public becomes more fully aware of the potentialities for agricultural expansion inherent in recent advances in agricultural technology, it is likely that this older emphasis on land redistribution as a means to development will be superseded.

The Australian Federal government as such has no land policy, except in so far as it is directly involved in the administration of the Northern Territory and the overseas territories of Papua and New Guinea. Upon the federation of the Australian States in 1901, the administration of land was one area of public responsibility which was left in the hands of the State governments. All of these States at that time had lands departments as constituent parts of their administrative machinery and this situation still prevails today.

Despite its lack of constitutional authority, the Commonwealth government can nevertheless exercise some indirect influence upon the direction of land policy. This arises mainly from the limited financial autonomy of the States in recent decades. The mark of the Commonwealth government upon land policy was most clearly seen with respect to the scheme for the settlement of ex-servicemen after World War II, which is discussed later. But the Federal government exercises a more continuous influence in a financial con-

1. Edward Gibbon Wakefield, *A Letter from Sydney*, London 1829, republished by J. M. Dent and Sons, London 1929. For an evaluation of the Wakefield doctrine see R. C. Mills, *The Colonisation of Australia, 1829-1842*, Sidgwick and Jackson, London 1915; and S. H. Roberts, *History of Australian Land Settlement*, Macmillan, Melbourne 1924.

From Agriculture in the Australian Economy, ed. D. B. Williams (Sidney, Australia, 1967), by permission of Sidney University Press (price, $8.50).

text. Loan funds used by the States to finance closer settlement activities and for other purposes are reviewed annually on a federal basis at the meeting of the Loan Council, comprised of federal and State finance ministers. Major schemes for land development are also subject to federal review, if federal finance is required, as it usually is. Apart from its participation in land settlement activities, the Federal government levies land taxes and estate duties. These were originally conceived as a means of discouraging the aggregation of land into large holdings.[2]

LAND OWNERSHIP

Australia is probably unique among the western countries in that a high proportion of its land is still in public ownership. Table 8-1 shows in absolute and relative terms the areas alienated and unalienated in the various States in 1964. These figures now change very little from year to year. The

Table 8-1
Ownership of Land, 1964

State or Territory	*Private lands*		*Public lands*		Total area
	Alienated	*In process of alienation*	*Leased or licensed*	*Other*[a]	
	m. acres	*m. acres*	*m. acres*	*m. acres*	*m. acres*
N.S.W.	58·9	7·1	113·3	18·8	198·0
Vic.	31·8	2·4	6·1	16·0	56·2
Qld.	26·4	3·8	369·4	27·3	426·9
S.A.	16·0	0·4	146·4	80·5	243·2
W.A.	29·1	14·5	246·5	334·5	624·6
Tas.	6·6	0·2	1·5	8·6	16·9
N.T.	0·3	—[b]	191·4	141·2	333·0
A.C.T.	0·1	—[b]	0·3	0·2	0·6
Australia	169·1	28·5	1,074·8	627·0	1,899·5
	%	%	%	%	%
N.S.W.	29·7	3·6	57·2	9·5	100·0
Vic.	56·5	4·2	10·9	28·4	100·0
Qld.	6·2	0·9	86·5	6·4	100·0
S.A.	6·5	0·2	60·2	33·1	100·0
W.A.	4·7	2·3	39·5	53·5	100·0
Tas.	39·1	1·3	8·6	51·0	100·0
N.T.	0·1	—	57 5	42·4	100·0
A.C.T.	10·6	6·9	47·5	35·0	100·0
Australia	8·9	1·5	56·6	33·0	100·0

a. Land occupied by government agencies, reserved lands, and unoccupied lands.
b. Not significant.

SOURCE: *Year Book*, No 52, 1966, Bureau of Census and Statistics.

2. J. M. Garland, *Economic Aspects of Australian Land Taxation*, Melbourne University Press, Melbourne 1934.

interesting point is that 175 years after the first settlement only 10·4 per cent of the total area of the country had been alienated or was in process of alienation.

The alienated lands, for the most part, are located in the older settled areas, Victoria being the only State with more than half of its lands in private ownership. The large acreages of land held under lease from the government are located predominantly in the more sparsely settled, more arid pastoral areas of Queensland, Western Australia, the Northern Territory, New South Wales and South Australia.

The various forms of land tenure in the various States are broadly similar, the similarity being strongest among the eastern States which originally formed part of New South Wales. Even so, the large number of types of tenure and variety of terms and conditions applying to particular tenures make it impossible to provide a succinct outline of the country's land legislation.[3]

FREEHOLD TENURES

There are two types of freehold tenure. The first, which applies to the greater part of the alienated lands, allows a high degree of freedom to the individual owner to use or to transfer the land as he wishes. The government does retain some control by virtue of the right of eminent domain, the right to tax, and the right to institute land-use regulations in the name of resource conservation.

However, in the case of some of the freehold land acquired in the past 50 years or so, governments have attached a caveat preventing their transfer to persons who already hold more than a specified area of land. This is true, for instance, of lands acquired under conditional purchase tenures and certain other tenures in New South Wales after 1909. In other words, some of the restrictions which apply to lands in process of alienation, described in the next section, apply equally to some freehold land.

THE TENURE OF LANDS IN PROCESS OF ALIENATION

The State governments typically place many conditions upon landholders who are in the process of purchasing their land. Usually there is a limit set on the area which can be acquired, the concept of 'the home maintenance area' or 'living area' being frequently employed as an administrative device in this connection. Sometimes, as with some tenures in New South Wales, there are, in addition, certain acreage maxima applicable to particular regions. In most cases also, it is incumbent on the owner to live on the

3. The most systematic attempt to provide an outline of Australian land legislation was made by the Surveyor-General of Western Australia, Mr W. V. Fyfe, in 1944. This report formed Annexure A of the *Ninth Report* of the Rural Reconstruction Commission, Government Printer, Canberra 1946, but the annexures were not published. A supplementary mimeographed report entitled 'Land Laws and Tenures' covering amendments up to 1948 was issued in 1949.

property for at least five years and to carry out within a prescribed time certain improvements such as clearing and fencing. These latter restraints sometimes impose substantial opportunity costs on the settler.[4]

The principle of the home maintenance area is a pivotal feature of much Australian thinking about land tenure. Various expressions of the concept are to be found in different Acts. A typical definition would be that used in the New South Wales Western Lands Act of 1949, viz. 'an area which when used for the purpose for which it is reasonably fitted would be sufficient for the maintenance in average seasons and circumstances of the average family'. This concept has been used as a criterion in a number of administrative decisions affecting land.[5] First, it has been used to set the maximum area which may be alienated to any one settler whether by allocation or as a result of transfers from others. By the same token, it serves to guide decisions on applications to transfer titles. In more recent times, the concept has been used in determining the area which may be retained by the original holder when land is resumed or surrendered for closer settlement. Third, it has been used in closer settlement programmes, particularly since World War II, to set the minimum areas to be allotted to settlers. As such it became a means of preventing excessive subdivision by over-enthusiastic State officials.

The language of the definition is extremely vague and its interpretation must necessarily be highly subjective. In practice, the ultimate interpretation has to be made by the local administrative units. Commonwealth government oversight of land settlement programmes after World War II did encourage greater objectivity by forcing State lands departments to resort to more precise budgets than they had been wont to use previously. However, whatever the degree of objectivity introduced, the criterion clearly sets a welfare objective in terms of a reasonable level of living and involves no consideration of efficiency. The 'home maintenance area' concept has also been criticized for its scant regard for questions of production variability.[6] The problem of the survival of pastoral businesses in areas of low and irregular rainfall is not amenable to solution in terms of average incomes and average seasons.

In addition to the various forms of freehold tenure, there are in most States several classes of leasehold where the tenant has some right of conversion to freehold tenures. This right is hedged about with a whole host of conditions not the least of which, usually, is the provision relating to home maintenance areas.

4. e.g. I. J. Moncrieff and R. G. Mauldon, 'The Effect of Land Clearing Regulations on the Rate of Farm Development, A Case Study', *Australian Journal of Agricultural Economics*, Vol 7, No 2, December 1963.

5. J. N. Lewis, 'Is the Concept of the Home Maintenance Area Outmoded?', *Australian Journal of Agricultural Economics*, Vol 7, No 2, December 1963, p 97.

6. K. O. Campbell, 'The Challenge of Production Instability in Australian Agriculture', *Australian Journal of Agricultural Economics*, Vol 2, No 1, July 1958, p 9.

LEASES FROM THE GOVERNMENT

There is a wide variety of government leases in operation in the various States. They range from annual leases to perpetual leases, the majority of them being for long periods. For most practical purposes, properties which are held under perpetual leases are virtually indistinguishable from alienated land. Usually the consent of the responsible minister is required before sales or transfers can be effected, but sales (and professional valuations) are made as if the properties in question were freehold. It should be emphasized that these leases relate solely to the land and not to the improvements upon it.

In some of the long-term leases, the rentals set are fixed over time. In other cases the rentals are re-appraised from time to time, e.g. at 10-year intervals. Except where land has been made available for closer settlement after resumption, the rentals charged are usually much lower than the rentals which would prevail on a free market. They can be as low as 1·25 per cent of the notified capital value, which may itself be fixed at a very conservative level. In some cases, as in the Western Division of New South Wales, rentals are fixed at so much per sheep carried, the actual amount payable being based on the assessed carrying capacity of the land.

As might be expected where the prevailing rentals are well below the economic level, the difference tends to be capitalized into the market value of the lease in question. Under certain circumstances, governments take steps to prevent existing tenants from benefiting, at the expense of their successors, from what are, in essence, concessional rentals.

Some of the leaseholds, particularly in Queensland and the Northern Territory, are for fixed periods, and have been criticized for their consequent failure to encourage the maintenance and improvement of the properties in question. The Queensland pastoral leases do however give the outgoing lessee the right to retain a portion of his lease equivalent to a living area. Some of the disabilities of the fixed lease may be offset by the incorporation of specific provisions in the lease. These may require the lessee to carry out, within a defined period, a specific programme of improvements such as construction of fences, or sinking artesian bores; or they may require him not to overstock the land, and to withhold stock from specific sections of the property. Until recently, Northern Territory leases have even specified a minimum rate of stocking. Most leases make provision for compensating the lessee for any improvements on the surrender or expiry of the lease, but others such as annual and forest leases do not.

PRIVATE LEASING

Though leasing of rural lands from the government is widespread in Australia, leasing from private individuals is rather rare, at least by overseas standards. In fact it is so inconsequential that agricultural statisticians do

not bother to collect information on this point. A figure of 2 per cent of rural lands has for many years been quoted as the extent of private leasing in New South Wales.

Share farming is practised to some extent, but is, by and large, confined to wheat and dairy industries. It is also found to a more limited extent in the potato and tobacco industries. In wheat areas, the landlord typically supplies the land and portion of the seed and fertilizer, the share farmer providing the remaining inputs. Half of the product usually goes to each, though in some cases the landlord reserves in addition some grazing rights. There is, however, great variation in the proportions of produce retained by the owner and also in the inputs he supplies. This applies particularly to share farming arrangements in the dairy industry. In some cases the share farmer merely provides his labour and his situation is hardly distinguishable from that of a paid employee.

Most of the States have attempted to afford some measure of legislative protection to agricultural tenants. By far the most ambitious of such legislation is the New South Wales Agricultural Holdings Act of 1941.[7] Originally modelled on the comparable United Kingdom legislation, the Act contains provisions covering (i) security of tenure (ii) payment of compensation for disturbance (iii) payment of compensation for unexhausted improvements (iv) measures for securing agreement between landlord and tenant on certain classes of improvements (v) payment of compensation to the landlord for deterioration in the value of his holding resulting from the failure of the tenant to follow the precepts of good husbandry and (vi) arbitration on the question of fair rents. For arbitration, the Act provides for the constitution of *ad hoc* committees to which both the landlord and the tenant nominate a representative and over which an officer of the Department of Agriculture presides. The committees may at any stage secure an opinion on any question of law from a judge of the district court.

Despite its wide-ranging provisions, the Act has fallen somewhat short of expectations and it is generally acknowledged to be in need of amendment. The chief defect of the legislation from a legal point of view is that both the provisions covering payment of compensation to tenants and those requiring adequate notice to quit have generally proved ineffective in the case of verbal agreements. This is because the Act conflicts with the seventeenth-century English Statute of Frauds which applies equally in Australian law and which provides that any agreement not performed within one year must be in writing if it is to be enforceable. Unfortunately verbal agreements are rather prevalent and landlords themselves are disposed to avoid written contracts in the present circumstances. There is also mounting agitation by land-

7. For details see A. W. S. Moodie and J. R. Butler, *Farm Tenancy in New South Wales*, New South Wales Department of Agriculture, Sydney 1952.

lords for amendment of the Act on the ground that the legislation as it now stands makes it excessively difficult to dismiss inefficient and incompetent tenants and share farmers.

CLOSER SETTLEMENT

Perhaps the most important feature of Australian land policy in the present century has been the policy of closer settlement pursued by the various State governments. The emergence of this pressure for the subdivision of large holdings cannot be fully appreciated except against the background of earlier Australian land policies.[8]

Historically the development of Australian land policy falls into several distinct periods. Initially in the years following on the establishment of the first settlement in New South Wales in 1788, free grants of land were made to induce settlers to come to and stay in the new country. Land was also granted to emancipated convicts on condition that a quit rent was paid after a specified period of occupation. By the 1830s, systems of land grants by purchase (or auction) had been introduced. With their introduction it proved impossible to confine the so-called squatters' to the official limits of settlement and occupation of the hinterland proceeded apace.

A rapid influx of population followed the discovery of gold in 1851. When many erstwhile miners began to look to farming as an alternative occupation after goldmining had lost its attractiveness for them, they found the best land already occupied by the squatters. Considerable agitation for land reform followed and this coincided with the establishment of self-government. In the early 1860s the new Victorian and New South Wales State parliaments passed legislation making land more accessible to would-be settlers and encouraging agricultural activities side by side with large pastoral leases. The New South Wales Acts of 1861 introduced the new principle of free selection before survey. This legislation led to various abuses such as dummying and within a quarter of a century further legislative enactments were necessary to remedy the situation. From that time forward the whole emphasis shifted to closer settlement.

By a series of legislative enactments all the States developed machinery for resuming large pastoral holdings, subdividing them, and making the smaller blocks available to other settlers usually by a system of simple balloting. Not all the closer settlement was promoted by compulsory acquisition. Provision was made for owners voluntarily to enter into agreements for the subdivision of their holdings. Pastoral companies having large holdings in favoured districts, particularly those companies with their headquarters overseas, have been particularly prone to resumption.

8. The classic work in this field is S. H. Roberts, *op. cit.* For New South Wales developments see C. J. Ving, 'An Outline of Closer Settlement in New South Wales', *Review of Marketing and Agricultural Economics*, Vol 25, Nos 3-4, September-December 1957.

The actual procedure of resumption has on occasions left much to be desired. The chief restraint, apart from the administrative one of limited staff, has been the availability of money to finance the purchase of the resumed estates and to finance the new settlers. (Traditionally credit for such settlers has been provided by the governments themselves, at concessional rates of interest.) This means that the pace of closer settlement has varied substantially over time, depending *inter alia* on the state of the economy, the rate at which capital has become available, the market prospects for rural products, the degree of success attending earlier settlements, and the rival claims of other public works programmes. To safeguard the government against paying higher values for estates resumed, the practice has grown up of 'proclaiming' estates destined for subdivision long before resumption was effected. This kept costs of resumption down, but it also discouraged further private investment on the properties concerned. The inequities of this system are apparently now being realized. In 1966, the New South Wales government announced the lifting of proclamations from a long list of estates the acquisition of which it could not finance for a considerable time to come.

Lands administrators have in recent decades been loath to subdivide properties where sheep studs are maintained. It is argued that these studs require large flocks (and consequently large areas) to work effectively and that the perpetuation of the studs is in the national interest.

Several attitudes and indeed myths have developed about closer settlement. It was long regarded as one of the chief means of developing the rural industries, and the beneficial effects of subdivision on the adjoining country towns were applauded. It was said to be a way of stemming the 'drift to the cities' and of providing opportunities for farmers' sons to remain on the land. It has also become identified in the public mind as a fitting method of rehabilitating ex-servicemen. After both world wars, emphasis has been put on the settlement of ex-servicemen to the exclusion of civilian settlers. In fact, in such periods, the activity becomes known as 'soldier settlement' rather than closer settlement.

Large numbers of ex-servicemen were in fact assisted to acquire properties after World War I. Even before the onset of the Great Depression many of these men were in severe economic difficulties. In some cases, they were inadequately trained in farming. In other cases the holdings on which they were placed were too small. In still other cases, soil and agronomic investigations before settlement had been inadequate. Several committees of enquiry were conducted, and a large amount of public funds was spent in reconstructing holdings and rehabilitating the settlers.[9]

9. See Commonwealth of Australia, *Report by Mr. Justice Pike on Losses due to Soldier Settlement*, Government Printer, Canberra 1929; and Rural Reconstruction Commission, *Settlement and Employment of Returned Men on the Land, Land Utilization and Farm Settlement, Financial and Economic Reconstruction of Farms (Second, Third* and *Fourth Reports)*, Government Printer, Canberra 1944.

THE WAR SERVICE LAND SETTLEMENT SCHEME

The prospect of further pressure for the settlement of ex-servicemen on the land after World War II led the Commonwealth government to prepare in advance for such an eventuality as part of its postwar reconstruction plans. In 1945 a series of agreements was drawn up between the Commonwealth government and the States covering their respective financial obligations for the acquisition of holdings, the development of these holdings and advances to settlers. In general, the States of Queensland, New South Wales and Victoria (the principal States) bore half the cost of most items, the remaining States (the agent States) bearing a smaller proportion.[10]

The most important feature of the so-called War Service Land Settlement Scheme was the set of principles enunciated in the course of concluding the agreements. It is fair to say that these set the stage for the closer settlement activities of the past 20 years. The principles were as follows:

(i) Settlement is to be undertaken only where economic prospects are reasonably sound; and the number of eligible persons to be settled is to be determined by the opportunities for settlement and not by the number of applicants;

(ii) Applicants are not to be selected as settlers unless satisfying a competent authority as to their eligibility, suitability and qualifications for settlement under the scheme and their experience of farm work;

(iii) Holdings are to be of a size sufficient to enable settlers to operate efficiently and to earn a reasonable labour income;

(iv) A suitable eligible person is not to be precluded by reason only of lack of capital, but a settler is expected to invest in the holding a reasonable proportion of his own financial and other resources; and

(v) Adequate guidance and technical advice is to be made available to settlers through agricultural extension services.[11]

Under this scheme, all subdivisions were examined by the Commonwealth government, before any Federal finance was authorized. Special training schemes for intending settlers were provided. In some States in accordance with custom, the blocks available were allocated by ballot among the persons who had applied and were approved for inclusion in the ballot. Though the Act authorizing it was declared constitutionally invalid in 1949, the scheme was continued. Judged on its objectives, the scheme was highly successful in marked contrast to the failures following World War I. Part of the success, no doubt, must be attributed to the improvement of commodity prices which

10. For fuller details of the scheme see 'War Service Land Settlement—Some Agricultural and Financial Aspects of Joint Commonwealth-State Legislation', mimeo., Bureau of Agricultural Economics, 1950; and *Year Book*, No 37, 1946-47, pp 113-119, Bureau of Census and Statistics.

11. Commonwealth of Australia, *War Service Land Settlement Agreement Act*, No 52 of 1945.

occurred in the early years of the scheme, and which resulted in many of the new settlers receiving incomes well in excess of those contemplated. Whether or not the community at large received benefits commensurate with the cost of the scheme is another question.

FARM CONSOLIDATION

Though the predominant theme of its land policy has been closer settlement, Australia has had some experience in the reconstruction of uneconomic holdings. This chiefly occurred as a result of the failure of some of the settlement schemes of the 1920s and was associated with the wheat industry in particular. The Commonwealth government assisted the States in a series of salvage operations, known as marginal wheat area schemes,[12] which were undertaken mainly in the 10 years following the Great Depression. In many cases, a writing-down of debts and restructuring of financial obligations were all that was involved. In other cases, bankrupt settlers were given a lump sum on the condition that they vacated their holdings, their properties were divided and the resultant portions were added to those of adjoining property owners in order to bring the reconstructed farms up to a size which was believed to be economically viable.

A similar system of reconstruction of farms was recommended in 1960 by the Dairy Industry Committee of Enquiry as a means of eliminating low-income farms from that industry, but the recommendations were not accepted by the government of the day.[13]

UNSETTLED ISSUES IN LAND POLICY

In recent years the emphasis in Australian lands administration has shifted primarily to problems associated with fostering the better use of the land already in use. In one sense this was true of the original policy of closer settlement, but even this policy has recently been questioned.

THE PLACE OF CLOSER SETTLEMENT

Several factors have been responsible for this re-examination. First, the development of Australian agriculture in the past 15 years has led to a realization that modern agricultural technology is likely to have a greater impact on the rate of economic growth than any policy of redistribution of rural holdings. It has also become apparent that the market outlook for products of intensive agricultural settlement is less favourable than is the outlook for products produced under more extensive pastoral systems, products in which Australia clearly has a comparative advantage. Third, the rising capital re-

12. See Rural Reconstruction Commission, *Financial and Economic Reconstruction of Farms, Fourth Report*, Government Printer, Canberra 1944, Appendix I.

13. Commonwealth of Australia, *Report of the Dairy Industry Committee of Enquiry*, Government Printer, Canberra 1961.

quirements of modern farming have increased the cost of government-sponsored settlement schemes. Finally, policy makers are coming to realize that in a competitive situation, there is a limit to the priority that can be given to equity objectives over efficiency objectives in any land programme.[14]

Those who favour the abandonment or at least the modification of traditional closer settlement policy point out that the important restraints to rising productivity today are not land and labour, as this policy implies, but capital and management.[15] To continue to attempt to put more people on smaller-sized farms is to fly in the face of historical tendencies for the rural work force to decline and the size of farms to increase.

It is argued that the social reasons advanced in favour of closer settlement frequently do not bear critical examination and that the policy is a very crude and unsatisfactory way of trying to achieve a more equitable distribution of rural income. Such an objective, it is claimed, could be achieved more effectively through such measures as progressive income taxation, land taxes and death duties. The allocation of landholdings by lottery, a procedure by which it is possible for large gains to accrue to a few fortunate people, is also criticized. However, financial pressures are forcing land settlement authorities increasingly to take into account the capital which the intending settler has or to which he can get access privately, in determining the eligibility of applicants for blocks of land. This has been true of the recent Colleambally Settlement Scheme in New South Wales, the Esperance Scheme in Western Australia and the Brigalow Scheme in Queensland.

The main economic arguments centre on the question of economies of scale. A size of farm determined on the criterion of the 'home maintenance area' is not necessarily the most efficient size under current conditions and it is likely to be less so with the passage of time. Unfortunately unequivocal evidence on the scale question is not available.[16] However, it is evident that family farms considered big enough for wheat farming in the days of horse traction are inadequate to achieve realizable economies of scale under mod-

14. Cf. Vernon W. Ruttan, 'Equity and Productivity Issues in Modern Agrarian Reform Legislation', paper presented to the Conference organized by the International Economic Association on Economic Problems of Agriculture in Industrial Societies and Repercussions in Developing Countries, Rome 1965.

15. For a useful summary of the issues involved in the reappraisal of closer settlement policy see D. E. Maccallum *et al.*, 'Closer Settlement in the 1960s', *Journal of the Australian Institute of Agricultural Science*, Vol 28, No 3, September 1962. For an advocacy of the continuation of closer settlement see T. H. Strong, 'Land Tenure in Australia in Relation to Technical Advances and Closer Settlement', *Journal of Farm Economics*, Vol 38, No 2, May 1956.

16. Production function analysis has revealed evidence of increasing returns to scale in the inland pastoral areas and constant returns to scale in the higher rainfall areas. See J. H. Duloy, 'The Allocation of Resources in the Woolgrowing Industry', *Australian Journal of Agricultural Economics*, Vol 5, No 2, December 1961. See also J. N. Lewis, *op. cit.*, pp 100-101; and A. G. Lloyd, 'The Economic Size of Farms', *Journal of the Australian Institute of Agricultural Science*, Vol 27, No 3, September 1961.

ern tractor technology. The pressing need is to find a means of preserving sufficient flexibility in the settlement pattern and the associated land legislation so as not to inhibit the nation from reaping the fruits of continuing technological advance. The establishment of a cotton industry in northern New South Wales a few years ago was originally threatened by anachronistic legislative provisions governing the size of farms.

In recent years closer settlement has gradually assumed less prominence as an instrument of government policy. This trend is likely to continue, if only because of the rising cost of settlement schemes and the realization that they tend to benefit the few rather than the many. It may also become clearer to governments that investment in other directions, whether within agriculture (for example, in education and research) or elsewhere in the economy, would be likely to contribute more to the economic growth of the nation than the investment of an equivalent amount of government funds in closer settlement activities.

LEASEHOLD VERSUS ALIENATION

There has been recurring argument whether additional land should be alienated. Political beliefs obviously colour attitudes to this question. But in an economic context a balance has to be struck between, on the one hand, the savings in private capital investment and the greater public control of land use which leasing arrangements permit and, on the other hand, the disincentive to investment and encouragement of land exploitation which often seems to be associated with such arrangements. The disadvantages of leasehold tenure tend to be more exaggerated the shorter the lease. The situation of landholders operating under perpetual leases, we have seen, differs little from landholders who own their own land.

The Rural Reconstruction Commission was asked by the Commonwealth government in 1943 to recommend the form of tenure which should apply in the settlement of ex-servicemen after World War II. The Commission reported in favour of private ownership,[17] but ultimately the Commonwealth government insisted that land be made available under leasehold tenures in the 'agent' States and subsequently the 'principal' States with the exception of Victoria followed suit.

Today, controversy largely revolves around the leases operating in the pastoral areas of Queensland and the Northern Territory. These leases usually run from 25 to 40 years. They do, it should be noted, give the government the opportunity to reassess property sizes periodically in the light of technological and economic developments. However, as has been pointed out earlier, the lessees claim that the limited term of the leases is not conducive to their developing their properties. There would seem to be substance in the view that the achievement of a satisfactory rate of development

17. See Rural Reconstruction Commission, *Rural Land Tenure and Valuation, Ninth Report*, Government Printer, Canberra 1946.

of the Northern Australian beef industry will be dependent on the institution of a more progressive land tenure policy.[18]

SOIL AND RANGE CONSERVATION

Between 1938 when the New South Wales Soil Conservation Service was established and the end of World War II, most of the Australian States established agencies concerned with the promotion of soil conservation.[19] From the beginning, particular attention was paid to the deterioration of the vegetation in the more arid areas and to soil erosion on the catchments of major dams. Legislation to enable the government to require corrective action on freehold as well as leasehold land in such areas has gradually been introduced, but in few cases have these powers been used. More recently the question of the incorporation of more stringent controls in leases to prevent pasture deterioration has arisen. One case involved the short-term snow leases in the Australian Alps. Another concerned the pastoral leases in Central Australia.[20] In neither case did it appear that the administering authority had sufficient knowledge of the behaviour and management of the native vegetation to be in a position to institute rational controls over grazing.[21]

BALANCING DEVELOPMENT ON NEW AND OLD LANDS

Since the turn of the century, a proportion of public investment in land development has gone into irrigation development. More lately the discovery of minor element deficiencies in some areas and the development of chemical and mechanical methods of land clearing have opened up new opportunities for both corporate and government investment. Perhaps the really burning question in Australian land policy today concerns the relative advantages of public investment in different forms of land development—irrigation versus dry-land development, the opening-up of new lands in Northern Australia versus intensification of development in the already developed areas of the

18. For discussion of some of the issues with respect to the Northern pastoral leases see Commonwealth of Australia, *Report of the Board of Inquiry into the Land and Land Industries of the Northern Territory of Australia*, Government Printer, Canberra 1937; Queensland Government, *Report of the Royal Commission on Pastoral Lands Settlement*, Government Printer, Brisbane 1951; Queensland Government, *Report on Progressive Land Settlement in Queensland by the Land Settlement Advisory Commission*, Government Printer, Brisbane 1959; and H. Barclay, 'Land Tenure in Relation to Agricultural and Pastoral Development', in *Proceedings of the Northern Territory Scientific Liaison Conference*, Darwin 1961.

19. For a review of these developments see K. O. Campbell, 'The Development of Soil Conservation Programmes in Australia', *Land Economics*, Vol 24, No 1, February 1948.

20. See Department of Territories, Northern Territory Land Board, *Report on the Centralian Pastoral Industry under Drought Conditions*, Darwin 1964. It is of interest to note that this committee reported that the minimum size of an economic holding in Central Australia was in excess of 600 square miles.

21. K. O. Campbell, 'Problems of Adaptation of Pastoral Businesses in the Arid Zone', *Australian Journal of Agricultural Economics*, Vol 10, No 1, June 1966, pp 15-16.

south and so on.[22] Details of some of the specific development schemes are outlined elsewhere in this book.

Clearly in a country where the man-land ratio is so low, questions of land policy will continue to exercise the public mind. But unless Australians come to appreciate better than they do now that other resources are to a considerable extent effective substitutes for land and water, they will fail to achieve the full agricultural potentiality of their country.

22. See K. O. Campbell, 'The Rural Development of Northern Australia', *Australian Journal of Agricultural Economics*, Vol 6, No 1, September 1962; B. R. Davidson, *The Northern Myth*, Melbourne University Press, Melbourne 1965; B. R. Davidson and J. S. Nalson, 'Investment Opportunities in Western Australian Agriculture', *Farm Policy*, Vol 3, No 4, March 1964; R. W. Prunster, 'Alternatives in Land Development', *Farm Policy*, Vol 4, No 3, December 1964, and K. O. Campbell, 'An Assessment of the Case for Irrigation Development in Australia', in Australian Academy of Science. *Water Resources, Use and Management*, Melbourne University Press, Melbourne 1964.

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