

PROTECTION and the WELFARE STATE

by Nicholas Bilitch
recently appointed
Honorary Secretary of the
Free Trade League

Looking back on the final months of the last Labour government, what is likely to be most remembered is the widespread industrial anarchy by the public sector workforce, when grave-diggers refused to inter the dead with dignity; hospital workers hindered the admission of the sick and injured to hospitals; water and sewage workers aimed their fury at the public's jugular; firemen were prepared to let the nation burn; ambulance drivers left the unfortunate casualties to fend for themselves. It was, indeed, a fitting end to half a century of funny money and profligate public expenditure financed by open-ended deficits and the protection of the few at the expense of the many.

Whatever personal feelings we may entertain with respect to strikers, their grievances were not without substance. The shrinking purchasing power of their wages was real enough. Protection and inflation may benefit some, I doubt if they enrich grave-diggers, water and sewage workers, firemen, ambulance drivers, policemen and other such public servants. Having abandoned a century of free imports of cheap food, it was a certainty that the workers' larder was going to cost a lot more to stock.

The Great Depression of the Thirties opened many doors through which a motley array of economic charlatans, nostrum pedlars and funny money freaks would emerge to dazzle the unknowing and the unwary with "surefire" remedies for every contingency. The growth of Do-It-Yourself would not be confined to such mundane and harmless activities as home decorating, plumbing and motor car maintenance. Given the resources, declared the pundits, Britain could feed itself, clothe itself, in fact, could become self-sufficient with government planning and state directed investment. With government assistance, or as I would prefer to describe it, with the taxpayers' money, Britain's ailing car industry could look forward to a dynamic and prosperous future. A prosperous car industry would bring in its train much needed prosperity to all the other industries which supplied the automotive factories with materials, components and services. In no time millions of workers would be living in the proverbial clover from a reborn and rejuvenated car industry. With enough largesse from a benevolent and wise administration, out-dated steel mills and a run-down textile industry could be modernised, re-structured and rendered fit to take on all-comers. Where all this financial aid and the resources necessary were to come from was frequently wrapped up in language which could not have been bettered if the true purpose of the policy makers had no other object than to deceive. Having deceived themselves, the planners of our national renaissance ended up in deceiving the rest of society. Those whom God would destroy, he first makes mad.

As a breed planners enjoy a resilience which is a joy to behold. Failure diminishes not their number. Old soldiers may fade away, planners never. As plan after plan bites the dust, necessity must seek plausible reason. Who better to blame than the foreigner. Trade

Unionists being in the same ship of state need placating. Awkward customers that they frequently are, it is better not to rub them up the wrong way too often. With them it is stick and carrot, but mostly carrot. Now the foreigner is someone you really can take issue with. Everyone knows that they will do you down given half a chance. If they are selling their wares at bargain basement prices honest Britons cannot be expected to match, then the answer is obvious. They are indulging in *unfair* trade practices. These may be anything from the employment of "slave" labour to the provision of substantial subsidies to manufacturers and other producers. We, it is alleged, are innocent at this game! Another variant of "the foreigners do not play the game according to the rule book" is that the latter prospers by selling as much as possible to us, while buying as little from us as they can. The absurdity of this proposition hardly needs elaboration. It is unlikely that anyone may ever prosper by actually giving away what they produce. That truth applies to the foreigner as well as to ourselves.

The other great panacea of the planners, a kind of *deus ex machina* which turns base metals into gold, is state aid to industry. It commands respect on both sides of the industrial divide. Long and bitter experience would suggest that the true reality is something quite different. Yes, indeed, foreign governments do hand out subsidies and give protection to their industries but as such practices are not unknown in Britain too, much ought not to be made of this particular complaint. If one looks at Britain's own public sector industries, and those in the private sector enjoying various forms of state support, the roll call includes such names as The National Coal Board, British Rail, London Transport, British Steel, British Shipbuilders, Rolls Royce, British Leyland and many more. Between them they employ, directly and indirectly, a sizeable proportion of the UK workforce. Often unprofitable, frequently inefficient, with a propensity for poor productivity, they are especially vulnerable to overseas competition. The cornerstone which supports the advantages to be gained from trade, comparative advantage or comparative costs, most certainly does not apply to them. The power which comes from monopoly and subventions from the taxpayer keeps them active. Living with competition is a source of irritation and a constant menace to their existence; alternative sources of supply threaten their continued viability. It is not surprising, therefore, if there exists a strong incentive to seek protection against the existence of cheaper or more reliable alternatives. Especially this is so when the alternative supplier happens to be a foreigner!

With rising unemployment, *protectionist* sentiment develops with a force which is all but irresistible. Those industries which are especially vulnerable to imports have a strong vested interest in demanding that the government of the day intervene to curb (or even prohibit) such imports as are represented as threatening domestic producers with "unfair" competi-

tion. Import controls become all the rage. As such drastic measures seldom do the trick, government intervention is also strongly urged to provide, as well as protection against "unwanted" imports, protection against "perverse" domestic consumers who are refusing to pay the higher prices the protected product now commands. The beleaguered domestic producer demands a subsidy against the extinction of his industry. As these government handouts require additional taxes or larger government deficits, the problems, far from declining, actually continue to grow: with a falling demand and a shrinking market, there is less employment.

One may well ask what has all this to do with striking grave-diggers, petulant ambulancemen, disgruntled firemen and other non-productive public-sector employees. They were striking against the erosion of their pay-packets. Their wages were commanding less and less of the necessities of life in the shops because of ever rising prices. Prices were rising through a combination of inflation, higher taxes levied to subsidise loss making industries, and (the ultimate in protection) the high food prices fostered by that insidious monster the Common Agricultural Policy.

To anyone not wishing to be deceived, it is easy to see how protection, the welfare state and irredeemable paper money combine and interact to produce stagnation and ultimately economic and social chaos. Protection and the welfare state are but two sides of the same coin; state intervention in the market place, free trade and sound money may not solve all mankind's manifold problems but they certainly help in relieving us of some of them.

A close look at the welfare state reveals an institution which is a great deal more complex than the mere dispensing of "free" medicine, education and unemployment pay cheques. Important though these are in devouring the national income, the ubiquitous welfare state plays a major role in providing for full employment. Under its seemingly benevolent umbrella are huddled the nationalised industries along with the lame ducks which though privately owned enjoy enormous government patronage funded by the public purse. Many of these privately owned industries receive massive government support and if refused are not slow to vent their anger with what Adam Smith described as "insolent outrage of furious and disappointed monopolists" as the "bare knuckle fight" speech by the Director/General of the Confederation of British Industry at their 1980 annual conference.

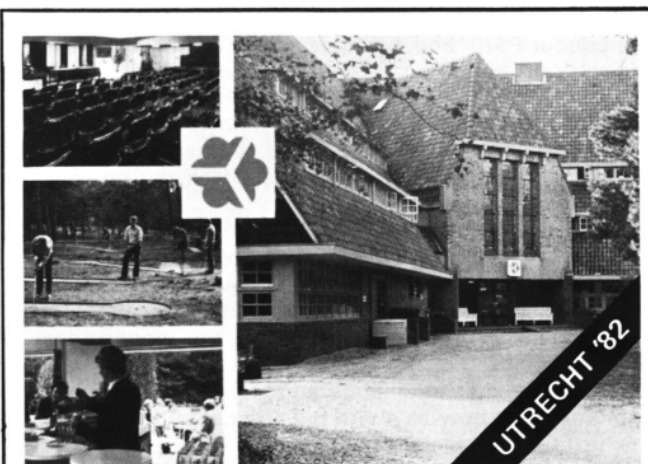
Contemplate, dear reader, if you can the face of Britain in 1981 with the Britain of Adam Smith in 1776, and you may find a close parallel with the conditions that prevail today with what Adam Smith described in the following passage from *Wealth of Nations*.

"To expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceana or Utopia should ever be established in it. Not only the prejudices of the public, but what is much more unconquerable, the private interests of many individuals, irresistibly oppose it. Were the officers of the army to oppose with the same zeal and unanimity any reduction in the number of forces, with which master manufacturers set themselves against every law that is likely to increase the number of their rivals in the home market; were the former to animate their soldiers, in the same manner as the latter enflame their workmen, to attack with

violence and outrage the proposers of any such regulation; to attempt to reduce the army would be as dangerous as it has now become to attempt to diminish in any respect the monopoly which our manufacturers have obtained against us. This monopoly has so much increased the number of some particular tribes of them, that, like an overgrown standing army, they have become formidable to the government, and upon many occasions intimidate the legislature. The member of parliament who supports every proposal for strengthening this monopoly, is sure to acquire not only the reputation of understanding trade, but great popularity and influence with an order of men whose numbers and wealth render them of great importance. If he opposes them, on the contrary, and still more if he has authority enough to be able to thwart them, neither the most acknowledged probity, nor the highest rank, nor the greatest public services, can protect him from the most infamous abuse and detraction, from personal insults, nor sometimes from real danger, arising from the insolent outrage of furious and disappointed monopolists."

Do the similarities impress you?

The author plans to revive the Free Trade League and interested readers may contact him care of editorial office.



Write NOW for details of the 1982 International Conference to be held at Woudschoten Conference Centre, near Utrecht, from 24 to 31 July 1982. Inclusive cost of accommodation is from £150 plus the conference fee of £25. It is planned to present among others, papers on the following subjects:

- *Holland: Land Tenure and Land Reform
- *Germany: The Progress of Land Reform
- *Britain: Land and the Economy
- *South Africa: Land-Value Taxation today
- *Canada: Land and Property Taxation
- *United States: Land and Property Taxation
- *Taiwan: Progress of Henry George's ideas
- *Latin America: The Landless
- *International: The Menace of Protection
Oil Revenues and Land Rent

SPEAKERS SO FAR INCLUDE:

- | | |
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| Robert Andelson | Garry Nixon |
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| S. Sevenster | Graham Hart |
| Raymond Crotty | Archie Woodruff |
| Mary Rawson | V. H. Blundell |
| Steven Cord | Fred Harrison |
| Nicholas Bilitch | |

URGENT! The Conference Committee really does need to know how many people are likely to attend. Anybody who has not yet received a registration form is asked to contact the International Union, 177 Vauxhall Bridge Road, London SW1, England, without delay.

In the past few weeks, considerable interest has been generated by the new alliance between the Liberal and Social Democratic Parties. Both sides of the alliance are currently riding high. The Social Democrats have recruited over twenty M.P.s from Labour and one from the Tories, while the Liberals have captured a Parliamentary seat in a constituency where they lost their deposit at the last General Election. The SDP now have their first directly elected member as the result of a bye election victory at Crosby where Mrs. Shirley Williams wiped out a Tory majority of 19,272 to win by 5,289 votes. It is almost anybody's guess what will happen next: whether the alliance will continue to make inroads into the support of the major Parties and even compel one or both to change radically their whole approach to the electorate or whether the present enthusiasm will melt beneath the sun of political reality as the next General Election approaches. The one thing we may assert with confidence, even at this early stage, is that historians who eventually write about the 1980s will have quite a lot to say about the alliance.

At present, it is difficult to see the alliance as standing on anything more solid than a brotherly feeling about certain less-than-basic political philosophies. At a meeting of leading Liberal and Social Democrats held in Blackpool last September, for example, it was clear that the unifying cement was no more than a mutual antipathy towards the policies of the extreme left of the Labour Party and, perhaps, a shared suspicion that the nationalisation of basic industries in Britain had not produced the Utopia that its advocates had forecast. The general sentiment seemed to be that if and when the two Parties found themselves sharing power, everything would straighten itself out provided the philosophy was right.

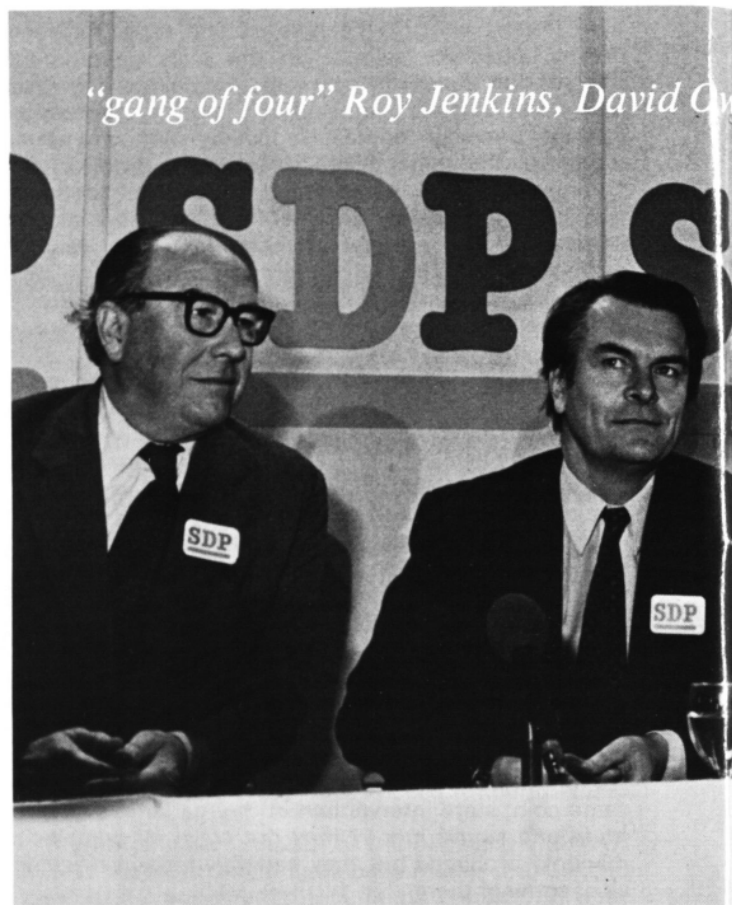
Such an outlook may be fine and dandy for the forming of an alliance but it is not how politics really works. Political parties, if they are serious about the quest for power, must concern themselves with the hard business of government. Since the meeting last September, the two parties have recognised this fact, first, by forming the alliance and, second, by reaching agreement on how to share out the constituencies for the next General Election.

So what of the future? What effect does the alliance promise to exert on the government of this country?

Any substantial political movement derives its ideas from many sources, and is compelled to adapt or trim those ideas to outside forces over which it usually has no control whatever. Are the Liberals and Social Democrats, despite their disparate origins, in substantial agreement about the problems which are likely to lie ahead? Will they avoid the strains that would pull them apart? Or are they politicians with totally different objectives who find it convenient to assist each other in rolling their personal logs?

The Liberals, of course, have been issuing public pronouncements about a variety of policy matters for over a century. Those policies, and the emphasis upon them, have changed greatly with time, and it is often very difficult to decide how deeply and passionately any particular policy is supported at a given moment. Furthermore, the emphasis may be different according to whether we consider the views of the leadership, of the MPs, of the constituency activists or of the rank-and-file voters.

When we bring the Social Democrats into consideration, the picture becomes even more obscure. It is only very recently that they have even begun to say



FIRST POLICY OUTLINES OF THE SDP (March 1981)

- An incomes policy flexible enough to last, acceptable by workers rather than union leaders.
- Tackling unemployment through more training incentives for small businesses and

- energy conservation
- A mixed economy co-operatives and wealth.
- Transfer of more with Parliament for "machines."
- Proportional representation but not abolition.

what, as a group, they believe in. If they make anything like the political headway they hope, then new converts will bring new ideas into the movement, and in some respects the centre of gravity will change. It may seem unfair to some to ask them at this stage of proceedings to commit themselves in too much detail.

There can be little doubt that the main reason for the initial impetus enjoyed by the alliance is a deeply-seated view that the other two Parties are both far too "doctrinaire." A "doctrinaire" is not the same thing as somebody who has a doctrine. A "doctrinaire" is one who stakes everything on his doctrine even when there is compelling evidence for the view that it is politically impracticable or disastrous to set it in force in prevailing circumstances.

Thus we may forgive the alliance for not issuing a full programme at this moment; but there are some urgent matters on which answers *will* be demanded very soon. With unemployment hovering around three millions, they must soon tell us how they would propose to bring it down by a really massive extent. With inflation still uncured, they must tell us what they would do about it and how high it ranks in their order of priorities. With British industrial productivity still far below European and American – let alone Japanese – levels, they must tell us how they propose to get workers and management to pull together and not in

en, Bill Rodgers and Shirley Williams



schemes.
with profit-sharing and
fairer distribution of
decisions to local level,
from control by party
mentation and reform,
the Lords.

- Better housing, health services and education with less bureaucracy and more emphasis on public needs.
- Full participation in the Common Market.
- Continued membership of N.A.T.O., coupled with vigorous moves toward multilateral disarmament.

(Detailed and specific policies are being worked out.)

opposite directions. At a time when fears of World War III have been sharply revived, they must give us a clear indication of where they stand in the argument about nuclear weapons and not just declare that they are not unilateralists. Parents who are disturbed about what is, and is not, taught in the State schools will want to know whether it is the Liberal Party's views on private education – as against those of Mrs. Shirley Williams – that will represent the policy of the alliance.

Supporters of policies expounded in this periodical have further matters on which they would be wise to canvas the leading lights in the alliance before its views are too much congealed. So far as one can see, the alliance is pretty firmly committed to Britain's continued membership of the Common Market. In the view of many, that is a disaster; but at least the electorate is entitled to ask how far they are prepared to go with pressure on the EEC to reduce its internal and external trade restrictions. The land problem remains unresolved, and anybody who looks at the ill-use of vast tracts of our cities can see that this is not just a matter of concern for devotees of Henry George. The Liberal Party has intermittently, and with fluctuating emphasis, preached both Free Trade and the taxation of land values for a very long time indeed. Are they the policy of the alliance, too? And if so, how high an order of priority do they receive?

Should we rally with the Alliance?

Dr. Roy Douglas

We ought to be told these things! There are millions of people today who *know* they are not Thatcherite Tories, and *know* they are not Bennite Socialists. For the time being, a great many of them are prepared to go along with the Liberal-Social Democrat Alliance. Whether they will go on doing so down to the next General Election and beyond will turn largely on whether the alliance is prepared to give frank answers to these questions of national concern.

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Critics of Henry George

A Centenary Appraisal
of Their Strictures on
Progress and Poverty

Edited by
ROBERT V. ANDELSON

One hundred years ago a literary bombshell burst upon the English-speaking world. The book essayed nothing less than to isolate the cause of and to propose a remedy for involuntary poverty. Within a short time *Progress and Poverty* had been translated into every major language, far outsold every other book in economics ever written, and made the "dismal science" not merely a topic for obscure discussion among pundits but also of lively interest to the man in the street.

On the centenary of George's magnum opus, Dr. Anderson and his collaborators were convinced that the highest tribute they could pay his memory, and the one that he himself would cherish most, was to present as fairly as they can the arguments of his most significant critics and to weigh them in the scale both of abstract reason and of empirical evidence. This is what has been attempted in this volume.

Following introductory chapters by Dr. Anderson and by Dr. Louis Wasserman, Part II of the book deals with nineteenth-century British and continental critics of George: Laveleye, Marshall, Longe and Wrightson, Mallock, Moffat, Cathrein, Huxley, and Rae. Part III presents discussions of nineteenth-century American critics: Dixwell; Walker; Harris; Gronlund and other Marxists; Rutherford; Ingalls, Hanson, and Tucker; Atkinson; Clark and Patten; and Seligman. Part IV takes a look at twentieth-century critics: Davenport, Carver, Ely, Alcázar, Ryan, Rothbard, and Oser. The book concludes with a chapter by Dr. Anderson on Neo-Georgism.

There has never before been anything like a comprehensive effort to review and evaluate the main critiques of George's contribution. This book is long overdue, and it is a fitting way to mark the centenary of George's masterpiece *Progress and Poverty*.

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