

The Banner of Free Trade

By J. L. Björner

When the mercantile school, with its attempt to carry on protected industry behind high tariff walls, had been replaced by the physiocratic idea of *Quesnay* with its demand for Free Trade, rural reform, and revenue from the rent of land ; and such eminent thinkers as the Scotsman, *Adam Smith*, and the Englishman, *John Stuart Mill*, had pointed out still further the road towards Free Trade ; when furthermore a great British statesman, *Robert Peel*, had gone into the breach for the victory of the abolition of the *Corn Laws*, Great Britain, first of all the States of Europe, consciously and determinedly took the road towards *Free Trade*.

Other States soon followed. There was the example of the German Tariff Union which caused all the tariff barriers between the numerous small German States to be abolished, resulting in the industrial development of the United Germany of 1871. But the reaction came very soon. As early as 1878 Bismarck, for party-political domestic reasons, led Germany back into the rough road of Protectionism, and many other States followed in the wake of Germany. Only Great Britain, Holland and Denmark have still kept fairly well on the Free Trade road. It may be mentioned here that the only tariff revision in Denmark, in 1908, kept in line with the policy of Free Trade.

The reason for such rapid changes, from Free Trade to tariff protection, for the rest of the States, need hardly be pointed out to this Conference. We know it was because the policy of Free Trade was not fully carried out, from bottom to top. We all got, at the most, that which may be called "*British*" *Free Trade*.

That was all to the good, but not good enough. It could—as we have seen—solve the problem of distribution, but was quite powerless to solve the problem of production, and for that reason those who represented the vested interests could easily make it unpopular. And yet it is significant of this partial Free Trade, that is, British Free Trade, that in exactly these three countries of Europe, in which it is in evidence, the wages of labour and the standard of comfort for the working-man are the highest.

* * *

Since the World War a storm of Protectionism has passed over the countries. Nearly every State has built its tariff walls higher, almost to the

point of a prohibitive tariff, with the natural result that all have become poorer. Even the new States have manifested their "independence" by imitating the old ones, and have built tariff barriers after the best—or worst—patterns. Protectionism has had a fair wind. The mutual distrust or jealousy enhanced by the war has been, short sightedly, utilized by selfish interests to promote further gain, to the detriment of the people as a whole.

We Free Traders of Great Britain, Holland and Denmark can bear witness to the difficulty of holding our nations to the old standard of Free Trade, not to speak of attempting to lead them farther along the way! We are almost glad, not to have been swept along by the universal flood of Protectionism.

* * *

But now it seems as though the tide is beginning to recede. I am referring to the new *Pan-European* movement. Pan-Europe Union, of which one aim is to establish an European tariff union, held its first conference in Vienna in 1926, having for its honorary President M. Briand, the Foreign Minister of France, and attended by a large number of present-day and past statesmen. The adopted programme states that: *Free Trade is the road to international peace and understanding.* This shows that the members are on the right track. But further on, in Point 10 of the programme, we read:—

"Why does 'Pan-Europe' claim an European Tariff Union instead of world-wide Free Trade?"

"Because the condition of wages and the standard of life are still so different in Europe and Asia that international Free Trade would mean a depression of European wages to the Chinese minimum.

"In connection with U.S.A. Free Trade will be impossible until that country abolishes its protective tariff policy. Even such European agriculture as is necessary for the upkeep of the European race would not be able to survive against the great grain countries of the earth, unless it were protected by tariffs."

Then the programme goes on to state that *all* of the European States can become members of the union—Turkey and Russia being mentioned in particular. It is doubtful, however, whether Great Britain may be included, since it is a world-wide Empire.

Now this proves that our good "Pan-Europeans" have not understood very much of the essentials of Free Trade. It is obviously absurd that they should exclude the cheap American grain (raised on high wages!), and that Great Britain may be considered too large to enter into the union!

But the worst feature of it is that the Pan-Europeans are still under the delusion that it is more profitable to sell than to buy. For this reason they would, for instance, bar U.S.A. until Uncle Sam has broken down his tariff barriers! Why not permit U.S.A. to inflict upon itself the tariff plague as long as it is unwise enough to do so? That surely is no reason why a Pan-Europe should act just as foolishly.

And so the Pan-Europe people are afraid of cheap grain! But folks who are afraid of the daily bread becoming too cheap, have no realization of the possibilities of agriculture or of the conditions and requirements of industry.

And yet the world is full of instructive examples. For instance, this: When the cheap American grain, about 1880, began to "flood" the markets

The Banner of Free Trade

of Europe, the agriculturalists of Germany, amongst others, introduced a protective tariff against it, with the result that 10 years later, according to the internationally renowned German, *Professor Brentano*, a scientist who has made a speciality of the effects of the Corn Laws, Germany could not produce its own bread! And Germany has not since been able to produce its supply of grain, although it formerly had been a grain exporting country.

In Denmark the farmers held to their Free Trade policy, but quickly changed their production from grain-raising to the raising of animal products. As fast as the cheap American grain could be brought into the country, Danish farmers converted it into butter, bacon and eggs, and have been doing this since—evolving thoroughly efficient co-operative plants, and technically better and better machinery in the process, with the result that small Denmark, having but 3½ millions of a population, of which only 45 per cent. are engaged in agriculture, is able to export each week, all the year round, about £1,230,000 worth of butter, bacon and eggs for foreign tables. Yes, even the United States, in spite of its high tariff protection, gets payment for the cotton seed-cakes shipped from New Orleans to Denmark, in the shape of Danish butter.

Facing these facts, and many like them, with the programme of Pan-Europe, there seems absolutely no reason why the Free Trade countries should consider entering an European tariff union, turned against the rest of the world. In the case of Denmark it would most certainly spell economic catastrophe, since it can be foreseen that—in case the Pan-European Union does become a reality, which is doubtful—the height of its tariff will hardly be determined on the basis of the old 5 per cent standard of Holland, but rather on that of Spain which is from 50 to 100 per cent import duties.

But even though we Free Trade countries should keep clear of *Pan-Europe*, we ought not to condemn the movement prematurely, but rather see it as an indication that the Free Trade idea is again holding its own and growing.

* * *

To return to Denmark and Danish conditions, I wish to state, in this connection, that the only important export industries we have, grew up without any protection whatever, and as a rule in such a manner that one Free Trade industry generally carried others along. In the wake of our dairy industry grew an export of improved dairy *machinery*. Out of our entirely unprotected exporting cement industry grew an export industry of cement machinery, and so on.

And on the contrary: Our most highly protected industry, the textile business (production of fabrics, of wool, cotton or silk) which has now been protected for 300 years, gives, as a result, a poorer and more expensive brand of goods. The factories are badly off, and the labourers in this industry are paid the lowest wages.

One may well ask: Then why not abolish this foolish and detrimental protection? The answer is this: Because our textile manufacturers are so accustomed to the idea of protection that they believe, if only they can get still higher protective tariffs, some day it will be sure to help them. And the manufacturers have always managed to get a good representation in Parliament. As *Henry George* says: "We have only to look about us to discover how easily some little selfish interest or other manages to get more

influence with legislation than a great common interest." And why should our Parliament, in that respect, be better than the other Parliaments ?

* * *

There is no full comprehension of the essential doctrine of Free Trade, unless one realizes the fact that it is just as profitable to import as to export, since it is normally impossible to export unless one is also willing to import, these are naturally two sides of the same matter. All international trade is based upon the exchange of products. The goods we export are paid for by foreign countries in those we import. If a country refuses to import, it cannot expect to export anything.

Now we arrive at the point called "the official balance of trade," in which statesmen and politico-economic students get themselves all mixed up, because they are governed by a delusion springing from the use of money in the domestic, daily trade.

A young Danish scientist and student of social conditions, *Dr F. Zeuthen*, says rather pertinently : "There are four main types of nations : (1) Countries which constantly borrow more than their foreign interest payments amount to, and which therefore have a surplus of imports. (2) Countries enjoying surplus imports on account of having claims on foreign nations. (3) Countries which have a surplus of exports in order to pay foreign interest and instalments on debt. And (4) Countries giving so many loans that they have a surplus of exports."

To this might be added a fifth : Countries having greater imports than exports without either being creditor or piling up debt, but simply because they put more value on the goods they import than on those they export. For example :—Figures of exports from Britain are f.o.b., *i.e.*, goods free on board. Figures of imports to Britain are c.i.f., *i.e.*, include cost, freight, insurance and commissions. This ought to be the normal thing. Of course, it leads to the conclusion that taken all together the nations of the world, at least in figures, would have larger imports than exports. Even so, this is but natural ! The basis of all sound trade is the fact that buyer and seller are mutually benefited.

If politicians and manufacturers would keep this clearly in their minds, they would realize that tariff walls are detrimental, but never useful or profitable. The producers especially ought to be able to see that the chances for export are most decidedly dependent on the easy access to cheap raw materials. A modern, well-equipped sawmill, for instance, is not competent to export until it is able to procure easily what it needs of raw material, and machinery, while its workers require housing and furnishing, food, clothing, etc., at the prices determined by the *world market*.

Every artificial augmentation of the expense of manufacturing, or of the needs of the labourers, weakens the possibilities for export of industrial products.

For this reason, too, all talk about *dumping* is nonsense. I have served Industry for a generation and to this day am engaged in importing and exporting, yet I have never seen an actual instance of real dumping.

* * *

We know that tariff protection cannot increase the total amount of wages and that, on the other hand, high wages are no hindrance to cheap production,

The Banner of Free Trade

for as *Henry George* says: "The universal and obvious truth is, that the country where wages are highest can produce with the greatest economy, because workmen have there the most intelligence, the most spirit, and the most ability; because invention and discovery are there most quickly made and most readily utilized. The great inventions and discoveries which so enormously increase the power of human labour to produce wealth have all been made in countries where wages are comparatively high."

This is not to say that comparatively high wages cannot exist in a country with high tariff barriers. This may be the case if only the territory of the country is sufficiently large and the reserves of easily accessible land are great enough. But under such conditions wages are not high *because* of the tariff protection; they would probably be still higher without it.

It is thus in every respect most profitable for any country by itself to adopt full Free Trade, even though the rest of the world should shelter behind tariff walls. There is every indication that such a single Free Trade nation, amongst all the other tariff ridden countries, would gain the leadership. Even that partial freedom of trade of which British Free Trade is an example has done much to gain for Great Britain its present high standing. Of course it is not a boon, when those neighbour-nations, with whom one must co-operate for mutual benefit, will only hop on one leg, or dig with a broken spade in order to increase employment, but that is no reason why a sensible nation should act foolishly, merely to resemble a neighbour.

* * *

Both theory and practice prove that Free Trade is always to be preferred to Protection, but we need not on that account nurture the delusion that Free Trade is a *panacea*.

Free Trade can augment and improve production. It can increase the wages of labour for those employed, and—last, not least—it can lead to *international understanding*, remembering the battle cry of *Richard Cobden*:—

"Free Trade, Peace and Brotherhood amongst the Nations."

But by Free Trade alone we cannot abolish unemployment, which is the greatest curse and disgrace of civilization. That is, Free Trade in exchange cannot solve the problem of the distribution of wealth. But I need not tell that to this Conference. We know that the question of production is bound up with the *land question* as the circulation of blood is with the heart.

But wherever the overshadowing tariff walls are wholly abolished, so that industry may unfold itself without let or hindrance, it will be possible to discover most quickly how much the *land question* means for the increase and development, and especially for the production of wealth. There the masses will soon realize the great truth which *Henry George* proclaimed to the world; there the banner of Free Trade will first be unfurled over emancipated humanity on a released earth.