Our Most Widespread International Crime

by ELIZABETH READ BROWN

Elizabeth Read Brown is the wife of Professor Harry Gunnison Brown, and was before her marriage a librarian at the University of Misissippi. They are now living in Lancaster, Pennsylvania. The above photograph was snapped by Lancaster M. Greene at the Henry George School conference in 1957.

HERBERT BREAN'S recent series on International Crime, appearing in Life, indicates how profitable and widespread is smuggling. He suggests that "in some countries international crime is actually encouraged by antiquated or inconsistent laws. Spain, for example, is a 'car-poor' country: it produces few automobiles. But because Spain imposes a tariff of 150 per cent on legitimate car imports, smugglers of new or stolen cars have strong financial incentive to operate there." Another example, given by Mr. Brean, of tariffs encouraging smuggling was how in order to finish a "vital" dam "an entire turbo-generator" was smuggled into Spain. Although such machines were not manufactured there, thus not obtainable without importing them, an extremely heavy duty was imposed. This would not be a protective tariff since Spain does not have such industries. The author felt that Spain's "archaic tariff structure so encourages smuggling that an estimated 30 to 40 per cent of the nation's imports crosses the border illegally." But Spain is not the only country where smuggling occurs. Mr. Brean did, however, conclude from his study that, "in most countries it is high import duties that account for smuggling."

Tangier, in northwestern Africa, illustrates what happens when duties are imposed where previously there had been none. This change came in 1957 and by now some tariffs are as "high as 100 per cent on rugs and 50 per cent on canned foods" with the result that these goods are today being smuggled into Tangier.

Those who are familiar with *Protection or Free Trade* may be reminded of Henry George's conversation, with four fellow passengers, as he was sitting in a smoking car of a "Pennsylvania limited express train traveling west." Although Henry George's acquaintances were "staunch protectionists," as well as "reputable business men," each one related a story, as though it were "a good joke," of how he had bribed the customs officer—swearing to a false oath—and brought in undeclared items purchased abroad.

Henry George felt that the attitude of these four businessmen was typical of his day, and asked some pertinent questions about the situation. "Can that be good of which these are the fruits? A system which requires spying and searching, such invoking of the Almighty to witness the contents of every box, bundle and package—a system which always has provoked, and in the nature of man always must provoke, corruption and fraud—can it be necessary to the prosperity and progress of mankind?"

Here the attention is focused on a

few individuals who brought in a few items, but tariffs imposed by governments do harm because they interfere with international specialization. Because of tariffs competition is restricted; thus the consumer is prevented from securing more and cheaper products.

Herbert Brean tells how during World War II, the Italians formed a taste for American and Swiss cigarettes. Today the Italian government taxes imported cigarettes heavily, deriving from this source "more than 15 per cent of the government's total income." What has been the result? "A fantastic smuggling industry" has grown up in the Mediterranean area.

Some items, *e. g.,* narcotics, etc., pose real problems but for these Henry George suggested safeguards:

"Free trade, in its true meaning, requires not merely the abolition of protection but the sweeping away of all tariffs—the abolition of all restrictions *(save those imposed in the interests of public health or morals)* on the bringing of things into a country or the carrying of things out of a country."

In 1960, when our Congress is being asked to appropriate large sums for foreign aid, might a better approach be to abolish our tariffs and make it *easier* for these nations to *earn their living?* If the United States and all other nations were to do this, perhaps smuggling would tend to disappear and surely world peace would be promoted. Henry George put it in these words: "The spirit of free trade is that of fraternity and peace."

UNPROFITABLE PROFIT

A business man used to charge as much as the market would bear. Unabashed.

Today he fights just as hard for his profit but, almost apologetically, he justifies it by pointing to higher material costs, higher wages or the inflated dollar.

The change in attitude reflects a more radical change in the way profits operate.

Outlandish profits did not always lead to public uproar and demands for congressional investigations. Instead, they acted as a magnet, attracting other business men to the same line. High profits could be credited with attracting competition, forcing quality up and bringing prices down.

How different today. Prices in drugs, steel, homes, food and a variety of services go only upward. Competition has not disappeared entirely from the scene. But the rapid reactions to fat profits has gone, and the momentum toward economic concentration and monopoly continues. That's why today's business man is somewhat embarrassed by sustained high profits, indicating the extent of his monopoly.

Adam Smith, the liberal economist of the 1700s, could write convincingly that a merchant, working for his own best interests, automatically served society. Without effective competition, this is no longer true.

More important than the 1960 price of steel or other commodities, therefore, is this basic question: Must we accept monopoly as inevitable and devise the necessary governmental controls to live with it? Or can we still return to the free, competitive conditions from which we strayed?

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