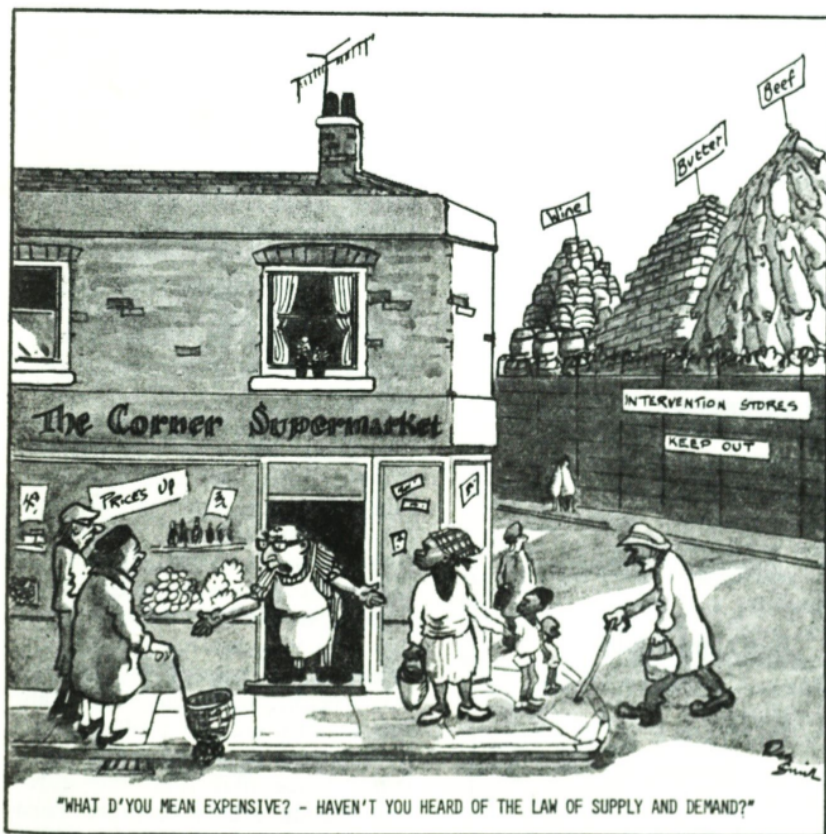


LAND &

LIBERTY

MAY & JUNE, 1976



Free Trade
or Protection?

Land and Evolution

Economics of Pollution

Adam Smith: a Tribute

Crown Lands in Canada

Marx and the Reality

New Water Charges
"Explained"

Oliver Smedley's
New Book

Letters

A Policy of Despair

THE Department of Applied Economics at Cambridge University have issued their second 'Economic Policy Review'. It paints a dark view of the very grave economic condition of Britain, and few economists have had the courage to do that. Nevertheless this ninety-eight page review cannot be recommended as general reading because its language and algebra will surely be incomprehensible to the lay reader. Who, but a university economist, would understand this succinct dictum?

"The form of the equation for standard money earnings is:

$$\ln W = \alpha_0 + \alpha_1 t + \ln[\beta_1 WM + (1 - \beta_1) WNM + \beta_2 WCL] - \beta_3 \ln h$$

"Standard weekly earnings, W (corrected for changes in normal hours worked, h), depend on a weighted average of current and lagged values of wages at settlement for manual (WM) and non-manual (WNM) employees and on a term representing cost-of-living and threshold payments (WCL)."

A passage selected at random is

taken out of its context, certainly, but throughout this review can be found many similar expressions of economic phenomena.

The Department examines various policies but here only the policy concerning the implementation of import restrictions, or protectionism, will be considered. It is a policy with a long history, and one which can be questioned in straightforward language. Before considering its economic merits, however, it should be set in the context of the Government's

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import control policy, which must be the vehicle for the implementation of the protectionism now advocated.

Deal with Unions

This policy emerged during this decade in three distinct stages. First it was promoted in the trade union movement, and it was grasped by the membership with as much readiness as that which was shown by the country landowners who embraced the Corn Laws of the early nineteenth century, and with as little concern for the wider questions involved. Secondly it was adopted formally by the T.U.C. in 1975 and lacking economic measures, or rather ones which commanded widespread support among the membership, the T.U.C. must have been grateful to have the import policy thrust into their hands. The third stage, which involved political commitment, occurred last summer when the T.U.C. exchanged their support of the £6.00 per week wage restraint policy for the Government's adoption of the import control policy.

Thus was this policy manhandled into law. But the Government showed little enthusiasm for its implementation, and in October Mr. Murray delivered a series of speeches in its support. He warned the public not to be deceived by those who labelled the import control policy a protectionist policy. When it was pointed out that he was playing with the well-established meaning of protectionism he appeared to abandon his warnings. Since that time the statutory policy seems to have been dormant, for until last month it lacked any intellectual assent. Now that the Cambridge economists have provided this assent, the import control policy is a live issue.

Import restriction is the child of the economic thinking of our times. We may remember during the 1960's the monthly oscillations of the balance of payments, the emergency meetings of central bankers, the numbing inevitability of devaluation, and the cosy post-mortems from Number Ten. This farce was finally taken off in August 1971, when the fixed rate of the pound was abandoned and the market rate allowed to float.

But the fallacies of those times still linger. Most people, for example, still believe an import is a minus and an export is a plus, and that it is, therefore, the business of a government to divide the two by restricting imports and encouraging exports. The relationship between the two is, however, more like that between an inward and outward breath; in short they are indivisible. Given a free rate of exchange, external trade will balance itself without official support or slide-rule measurement in Whitehall.

The implementation of import restriction will be a direct breach of our membership of the European Community, and no less a denial of our membership of the world-wide trading community. The European Community is, however, a protectionist group and still dominated by an absurd agricultural policy. If Britain—who brings to the Community a greater sympathy for the freedom of trade than any member nation has shown in the last two hundred years—breaks rank, it is evidence of the dreadful progress of protectionism. Like a disease it runs until it is destroyed or until it dismembers every trading relationship, be it international, domestic or individual. The economic history of France over the last two hundred years reveals this progress vividly. Those who urge protectionism “for temporary periods” and “for selective purposes”, play with matches, for a short while.

Dangerous “refuge”

The restriction of imports at the present time will be strategically dangerous. One of the restraining influences at work today is the knowledge that other nations will retaliate. Furthermore, the policy would weaken Britain's secondary defences by reducing merchant shipping, by exhausting the reserve fertility of marginal land and by alienating allies won in peace through trade.

The restriction of imports would be a further step into the inflationary maze. The policy is urged to conserve employment, it may be seized by businessmen and trade unions who think only of their personal interests, but it will

be felt ultimately by the consumer, whose interest has never been weighed in the balance. When a government curtails the freedom of the individual to buy whatever he or she pleases, when there is no military or medical reason to do so, it saps the impulse to trade.

In 1976 we are celebrating the two hundredth anniversary of Adam Smith's *Wealth of Nations*. But however dated and primitive some of it may now appear, his impeccably reasoned condemnation of protectionism still holds the field. The great thinkers of Europe during the eighteenth and nineteenth centuries, as for example Turgot in France, Cavour in Italy and Cobden and Bright, spoke the same language of principle and their speeches and writings against protectionism are as true today, as they ever will be.

New labels for old discredited policies

Britain finds its economy in a very serious condition. Its gravity is marked, however, not only by the measurement of debt, of deficits, taxation and unemployment, but rather by the decline of economic and political thinking. During the last decade politicians have engulfed themselves in a quagmire of sentimental thinking which springs from an appetite for votes, rather than from compassion. The Cambridge Review is a product of current thinking. Its authors advocate the adoption of protectionism which was irrefutably discredited in France during the eighteenth century and in Britain and Italy during the nineteenth century. They advocate it at a time when its adoption would invite peril and disaster. It will not underwrite employment; it will undermine it. The presenting of an old irrelevant policy in the garb of modern jargon and modern statistics makes the policy no more relevant than it would be without them. The authors associate themselves with nineteenth century reactionaries, the Praetorian Guards of the *Ancien Régime* in France, Joseph Chamberlain and the other diehards of that time, and in our time, with the myopic bureaucrats in Brussels, the farmers who recently smashed imported eggs with crowbars, and the fishermen who blockaded the ports. All in their

different ways Protectionists.

Gradually among a growing number of people a realisation is dawning that the intolerable burden of taxation is the economic cause of our situation. During a world recession it lies very heavily upon employment and trade.

If the Government decides to promote import control policy, perhaps the patriotic consumer may learn to accept juice squeezed from Welsh leeks as best British claret or hot-house swede as British pineapple. But will employment throughout the economy be protected? These examples are not cited to reduce the sophisticated arguments of the Cambridge economists *ad absurdum*, for such absurdities are inherent in protectionism. History shows the descent of economic realities under protectionist regimes, just as medicine charts the progress of a cancerous disease. Do we wish to contract the contagion which appears to have overwhelmed the Cambridge economists, and in future years beseech them to relieve its rigours after we can take no more?

M.H.

WHERE TO START

W. H. Pitt writes from Australia

I CAN see no worthwhile progress for land-rent revenue until it is accepted that the reform be based at the municipal level and advanced upwards. With that, it will be seen as a practical proposition indicating precisely the direction to be travelled.

This thought is based on an appreciation of the characteristic that mankind always seeks a maximising of its desires with a minimising of its efforts. The process applies not only with the individual, but also with the community acting with a unified purpose.

The roots of local government accord with it. In the old days, the foreigner got his bogey-man connotation because he was the chap lurking in the timber; home-steaders attended to their own sections of the track. It was economical for them to do so. But as cottage industry gave way to merchandising on a wider scale, the development of market places brought the question of roads to the fore. No doubt there was a