

European Trade War Postponed

THE trade war in Europe which nobody wants has been temporarily averted though the threat looms as ominously as ever. The six Common Market countries have postponed for six months the coming into force of their common external tariff. The seven members of the European Free Trade Association are keeping to schedule and on July 1 will reduce tariff duties on goods imported from their partners. Tariffs against goods from other countries will remain unaltered. For most of the products affected, the British rates of duty will be four-fifths of the previous levels. Under the Anglo-Danish agreement signed in April, canned cream and blue veined cheese will be admitted duty free, and the duty will be halved on bacon and canned pork luncheon meat.

This is Imperial Preference writ small and re-located, trade deflecting rather than trade creating, and certainly not what we mean by free trade. It is all that could be salvaged from the wreck of the Free Trade Area embracing the Six and the Seven, which the British Government wanted. It affords some slight compensation to exporters for the anticipated loss of their markets within the Six and in many quarters there are hopes that it may serve as a "bridge" to "Little Europe". Its chief virtues are negative: goods are not made any dearer, government interference with trade is not increased, and, most important of all, Britain or any of her partners are left free to adopt free trade unilaterally or together. Consumer choice will be slightly increased and competition sharpened.

If Britain joined the Common Market Six, or formed a Customs Union with them, the shackles of protectionism would be fastened so securely that consumers might never be able to struggle free. Protection is evil. It destroys freedom and human dignity and spawns tyranny, bureaucracy and monopoly. That is why we view current developments and the months ahead with the gravest apprehension. Pressure is developing in this country for Britain to enter the protectionist noose and the Government with its offer to join Euratom and the Coal and Steel Cartel is empirically toying with the idea. Britain's chief hope of salvation appears to lie with those in Europe who distrust her: we pray that they will reject any overtures for British membership.

WARNING EXAMPLE FROM AFRICA

EAST AFRICA'S experience throws light on the internal discontent, jealousies and strain to which a Customs Union is subject. The Kampala correspondent of the *Financial Times* reported recently that both Uganda and Tanganyika are highly critical of their union with Kenya. "There is a general tariff of 22½ per cent to which was added two years ago a protective tariff of 30 per cent.

The revenue from customs is split between the three territories in accordance with the final destination of the imports. But most industrial development requiring protection has occurred in Kenya and the other two complain that she is getting all the benefits while they foot the bill. First, they lose revenue as customs paying imports are replaced by locally manufactured goods, and any income-tax which new industries may eventually pay goes to the territory in which they are situated. Secondly, prices rise when an infant industry gets protection, and although they may rise in all three territories, the compensating advantages of increased incomes and employment are confined to one.

"Uganda has had her fling at industrialisation, and has burnt her fingers. So the Uganda Government is not averse to seeing industry go to Kenya and is prepared to stay in the Customs Union provided—and this is an important proviso—Kenya is in turn willing to pay compensation for loss of customs revenue. Not so Tanganyika, which no longer thinks that it derives any advantage from the customs union. Anxious to push ahead herself with industrialisation she is not averse to protection as such, but resents being asked to protect Kenya's or Uganda's industries when it is at her own expense. She may be quite willing to continue free trade in East African products, but there is little doubt that she will press for much greater autonomy in external customs matters."

WHIMSICAL INTERLUDE

LIKE children blowing a dandelion "clock" — *she loves me, she loves me not* — Board of Trade officials have the greatest fun in their palatial Thames-side offices. "Accept, reject; accept, reject," they chant, working diligently through the stack of applications to increase a tariff here or reduce or remove one there, which provide them with their bread and butter. Less happy are those who type, duplicate and despatch the stream of press notices recording the decisions reached: seldom are they rewarded by that exquisite joy known to penmen of "seeing themselves in print". So here are a few. The reader must reach his own decision as to whether Her Britannic Majesty's Government does, or does not, think free trade is A Good thing — and whether the Board of Trade would function as smoothly if the President and Minister of State were replaced by a pair of shuttlecocks.

Paper used for spinning into yarn is to be exempt from import duty, in the first place for a year; the application to remove duty from certain calcined petroleum coke has been accepted; the duty is reduced to 1d per linear foot in response to an application to allow in a certain type of positive cinema film at a lower duty.

Not all *rauwolfia* root and bark is to be exempted from duty as requested; only the root and bark of *rauwolfia vomifera*. Nor will the Board impose an anti-dumping duty on ammonium sulphate bought from W. Germany and Belgium. The producers in those countries have kindly agreed to raise their export prices forthwith. The Board was satisfied that they had been naughtily "dumping".

The Soviet Zone of Germany has apparently been less accommodating to the Board—though generous to British consumers—and accordingly an anti-dumping duty of £19 per ton has been imposed on sodium chlorate originating in that country. That ought to "confound their knavish tricks".

A rejected application was for an increased duty on Sodium Hydrogen Glutamate (monosodium glutamate). Granted — at least temporarily — was one to import zirconium sponge duty free.

Many more applications are in hand. One is to impose an anti-dumping duty on Italian fully-fashioned nylon stockings. Another is to exempt synthetic methanol.

PRIVILEGE IN THE SALAD BOWL

SECTIONAL privilege last year added roughly £9 million to the shop price of tomatoes. This year, if consumption remains unchanged, housewives will have to pay an extra £2½ million. Simultaneously the Exchequer's unearned increment will rise from £1 to £1½ million. The increases have been engineered by the Conservative Government ably abetted by the official Opposition. Two Labour M.P.s and Mr. Arthur Holt, Liberal M.P. for West Bolton, opposed them. The debate is reported elsewhere in this issue.

The increased tariff is a flat repudiation of all the Government's airy talk about desirability of stable and even reduced prices. It slaps the Dutch producer in the face, stabs the British consumer in the back and flashes a green light to the unions to demand those wage increases which in official circles are regarded (quite wrongly) as the cause of inflation.

By any criterion, the decision is deplorable. But if the following, from the *Farming Express*, is true, it is outrageous:—

"Three weeks ago a colleague forecast that the question of the tariff on imported tomatoes was to be decided by the Cabinet. As we all now know, it was. But who could have forecast that the demand for an increase in the tariff by our tomato producers would have to be decided on the personal intervention of the Prime Minister—and on a 'paper' submitted to the Cabinet by a non-member? That is what happened.

"Mr. Derek Walker-Smith is the Minister of Health. He does not hold Cabinet rank. But he is the Member for Hertford East, which includes so much of the Lea Valley tomato-growing area. I am told that he submitted a paper warning the Cabinet that his seat could very well

be jeopardised if something wasn't done for the tomato-growers. Mr. Macmillan saw the point.

"Mr. Reginald Maudling, European co-operator number one, and Mr. Amory, were all for sacrificing Britain's tomato producers on the shrine of European economy. But the Prime Minister would not have it. Mr. Walker-Smith's seat—and the next item on the agenda—were too important. We got the tariff increase".

By a curious quirk of history, this was just before Mr. Macmillan left for the Summit fiasco in Paris. Fifteen months earlier tomatoes were on his plate just before he set off for the Moscow meeting at which the foundations for the Summit meeting were laid. The Government had rejected an application for higher tariff duties on tomatoes, new potatoes and certain other vegetables and had promised to bring in legislation, since enacted, to give away £7½ million of taxpayers' money to horticulturists. Not satisfied, indignant leaders of the Conservative Members' Agricultural Committee called twice on Mr. Macmillan. The outcome was an increased duty on cut flowers. Our comment (March 1959) stands repetition: "The degradation to which protection leads has never been more aptly illustrated: on the eve of a possibly momentous visit to the Soviet Union the Prime Minister has his thoughts diverted from the great issues of the day — to think about tomatoes."

LOST SUBSIDY

A CONSTRUCTIVE POLICY for reducing farm costs by nearly £100 million is presented by the Farmers & Smallholders Association in their latest annual report, *Lost Subsidy*. In a forward, the Chairman, Mr. Richard Lamb explains that it is "to remove the heavy import duties on fertilisers, agricultural machinery, feeding stuffs, and all farm requisites."

This would break price rings. Mr. Lamb agrees that taxpayers are not getting value for money from the £259 million farm subsidies. They "are siphoned off not only by the manufacturers who supply farmers with their requisites, but also by the middlemen who handle farm produce between the farm-gate and the shop counter".

Lost Subsidy discusses in turn and at length some of the principal items, all heavily protected, which farmers use, including fertilisers, twine, machinery, tyres and oilseed protein. Specialised and rather technical, it is not possible to summarise here. Examples may be quoted in a later issue.

Not all farm subsidies leak in these directions. Many increase the value of farm land, enriching agricultural landowners and those tenant farmers who pay less than a rack rent. Agriculture as such does not benefit, and would-be farmers find the land locked against them by high prices. On this question the report has nothing to say. Neither does it reveal whether the Farmers and Smallholders would be willing to see the complete withdrawal of Government support for agriculture if the rest of industry stood unaided on its own feet. Perhaps the possibility is regarded as too hypothetical or too distant for practical consideration at

present. Nevertheless, if the Association wishes to win urban support for its proposals that farmers' supplies, etc., should be untaxed, it will have to make clear whether the £100 million a year so saved should go into farmers' pockets—or remain in the taxpayers'.

MUNICIPAL SUPPORT IS GROWING

FOUR more local Councils have reaffirmed their support for the principle of rating land values only. They are Cardiff City, and the Boroughs of Batley, Walthamstow and Workington. This brings the tally for the last few weeks to 13. The nine previously reported are: Derby, Dudley, Gateshead and Wigan County Boroughs and the Boroughs of Aylesbury, Leigh, Pontefract, Stalybridge, and Wood Green.

The Greenwich M. B. Council was in favour in 1946 of land value rating legislation being introduced and sees no reason to depart from that view. Instead of formally so resolving, however, it has referred the matter to the Metropolitan Boroughs' Standing Joint Committee.

Dagenham and Warrington Borough Councils are in favour of there being applied a rate on land values to supplement the rates at present levied.

The following Councils have considered representations from the Rating Reform Campaign and have decided to take no action: Darlington C. B., Dover, Dunstable, Fleetwood, Kingston-Upon-Hull City and C. B., Manchester City, Reading C. B., Southwark M. B., Stockton-on-Tees, Wembley.

Acton Borough Council, the Town Clerk wrote, "regret they can see no real merit in the proposal which could result in a number of serious anomalies". They are unwilling to go beyond the views expressed in 1946 in favour of a levy on site values as a supplement to rate revenue. In view of the glaring anomalies and injustices of the present rating system, and the way that Acton, a heavily industrialised area, suffers from derating, the Council's view is surprising.

Middlesex County Council has deferred the matter for further consideration in connection with the question of sources of revenue alternative to rates, which it has decided might be further examined at a later date.

A number of Councils have the rating of land values on the Agenda or under consideration by the appropriate committees.

RADICAL RATEPAYERS

FULL support for land value rating was given by the committee of the Morecambe and Heysham Ratepayers Association on May 27. A resolution was passed asking the Borough Council to lend its support to that of other local authorities in calling on the Government to introduce legislation whereby local rates would be imposed on land values only. The question is at present being considered by the Council's Rating Committee. Literature has been supplied by the Rating Reform Campaign.

TRADERS CRITICISE RATES BASIS

THE National Chamber of Trade at its Spring Conference at Harrogate unanimously adopted a resolution in the following terms:

"That in view of the many ways in which the present basis of valuation for rating purposes operates harshly upon retailers and other sections of the community, the Board of Management is urged to examine all available alternatives in an attempt to secure a more just and equitable basis."

The resolution was submitted by Mrs. N. Bolton, chairman of the Morecambe and Heysham Ratepayers Association.

According to the *Morecambe Visitor*, Mrs. Bolton said that rates were becoming less a payment for services rendered and more "a fine or penalty for industry and enterprise." Anyone who wanted to get the most benefit from a site and who decided to improve his property by making some small additions to the building was "fined" for such enterprise by an increase in the rate. This frustrated endeavour, hampered progress and engendered apathy in the minds of those who, by improving and rebuilding, sought to improve the faces of dilapidated towns and cities. On the other hand, someone indifferent to the needs of the community who made no use of his site or allowed the building to fall into neglect apparently pleased authorities for "they showed their approval by granting him a reduction in rates at the next assessment."

It is interesting to recall that Mrs. Bolton presided at the public meeting organised by the Morecambe Ratepayers Association last February at which Mrs. F. G. Summer, local representative of the Rating Reform Campaign, explained the case for levying local council rates exclusively on land values. Mrs. Bolton has held office as president of the Morecambe and Heysham Chamber of Trade and in the May municipal election she was returned by an overwhelming majority to the Town Council, defeating the Conservative candidate.

THE FUTURE IN RATING

"WE are prepared to stick out a neck and make some prophecies," said the *Estates Gazette* when commenting on the articles by Manchester's City Treasurer which were summarised in our previous issue. "Entire rerating is very unlikely, for political and financial reasons. We think the councils will get a *douceur*, which will probably come from residential property. Whether the Government will dare to bring valuation of houses up to date must be very doubtful, however, and we suspect that they are even now casting around for means of continuing partial relief. No 'measure' of site-value rating is going to be practicable, and the authorities will stick to the view expressed in the 1958 White Paper. A charge on empty property would be possible, but far from popular. The future for rating is the mixture as before, a little, but only a little, stronger to the taste."

This is very interesting and probably not too wide of the mark, except for one point. It is not on grounds of practicability that buildings are rated. Quite the contrary. Assessment is cumbersome, costly, protracted and, in many respects, quite arbitrary. By comparison, assessment of site value is child's play.

Only the political power of an entrenched minority perpetuates the present system. When this is confronted by more powerful support for land-value rating, it will be swept away. That is the purpose of the Rating Reform Campaign. The headlong march of land prices and the upward-curving cost of local government are its invincible allies. The question is not whether the Campaign will succeed but—how soon?

THE TIMES ON "RISING RATES"

IN a leader on Rising Rates, *The Times* pointed out on June 3 that although in theory rates are assessed on the current rental value of immovable property, none of the main classes of property is in fact fully so assessed. After listing the principal abatements and exemptions—including the total exemption of agricultural land and buildings, unoccupied buildings and vacant sites—the leader commented: "These distortions aggravate the inherent weaknesses of rating as a form of taxation—namely, that it is regressive and inelastic."

The best tonic local government could be given would be to reduce dependence on central grants, "yet the policy is doomed to remain unrealised so long as the rating system is hobbled in the present way."

Various alternatives or supplementary sources of revenue are periodically proposed: "the rating of site values, for long the darling of one school of economists, finds favour with the Liberal Party and has recently received the cautious attentions of the Labour Front Bench, where they contemplate with dismay the steep rise in land values.

"The majority of a departmental committee, reporting in 1952, found that the rating of site values was 'neither practicable nor desirable' having regard to the Town and Country Planning Act of 1947. However, since the provisions of the Act most relevant to the inquiry have since been repealed, that judgement has lost some of its force."

This cautious recognition of the obvious is useful though we say flatly that the majority's finding now has no practical value whatsoever.

Dismally *The Times* concluded that it will be time enough to consider the need for new ways of raising local revenue after the revaluation planned to take effect in 1963 is brought in. The new assessments are expected to cause "political discomforts" but, the argument is, they must be faced and so the sooner the better. The "contemplated introduction" of "novelties" such as the rating of land values might merely serve to postpone revaluation yet once more, the leader suggested.

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This is counsel of despair. The present rotten system has to go, lock, stock, and barrel. Investigation, legislation and valuation all take time: why wait until wrathful rate-payers demand the Minister's head on a charger? The reform process should be started *NOW*.

NOT ANOTHER ENQUIRY, PLEASE!

THE *Municipal Journal's* regular contributor, Essex County Alderman Charles Leatherland, thinks a Royal Commission should be appointed now to examine local government finance dispassionately and scientifically. "Its findings could be ready by 1963 and we might avoid a situation whereby the assessments revision is no more than another patch on a garment already heavily repaired." A Commission could consider, for instance, whether there was a case for replacing or supplementing the present system by the rating of site values. "Recalling the unhappy fate of some past experiments one is bound to add here that we do not want a new system that would become the subject of political warfare and stand in constant peril as a result."

That is true enough. It is a reason for straining every nerve and muscle to induce the Conservatives to introduce legislation in this Parliament. They would be unlikely to sap their own measure later and, presumably, it would enjoy Liberal and Labour support.

Appointment of a Commission or committee to avoid or postpone taking action is not unknown in politics. There is, as *The Daily Telegraph* sagely remarked a few months ago, a fashion, indeed a mania, for referring to committees what should be decided by Ministers. The body politic is "committee-ridden and committee-bidden".

As the Minister principally concerned, Mr. Henry Brooke should decide to bring in land-value rating legislation. The decision reached, he surely could secure practical advice and guidance from within his own Ministry and from the local authorities without troubling outsiders.

During the past five years, three Royal Commissions and 67 committees of inquiry have been appointed. More than 500 expert and busy people, not including secretaries, have been questioning some thousands of other expert and busy people. This is enough without adding a Royal Commission on Local Government Finance.

Gordon Selfridge on Free Trade

Asked by a *Star* interviewer why he had chosen to risk his fortune and future in London, he answered: "I thought to myself, if I can succeed over there it will be like getting an honorary degree from Oxford." He talked rather less romantically to his business acquaintances. "London is the capital of the only big Free Trade country in the world. I can buy merchandise there and put it on my counters more cheaply than anywhere else" — p. 32 Selfridge, by Reginald Pound, published January 1960 by W. Heineman, London.