

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

conferring and then the appointment of a specialist roadmaker and agreement on his remuneration. It was an economical process: and one can see in this the embryonic development of the municipality.

Then there came interchanges, through the forests, over the mountains, along and across the waterways. Security of the person, paving of roads, charting shoals, all these requirements and many others demanded the making of agreements between representatives of abutting and distant municipalities that were binding upon the citizenry as a whole.

Thus the development, the world over, of village councils, of state and federal parliaments. In each and every instance it was, it is, and it will continue to be, economy of effort in the satisfying of our desires that is the spur behind the idea.

Every communal activity, from the filling of a pot-hole outside our door to the opening (or re-opening) of a Suez Canal has this economy of effort as its driving force. Inevitably the results of this communal activity are reflected not only in better conditions, but in *higher rents demanded for the enjoyment of these new advantages*; it will add to the rentals that people will proffer for each and every piece of real estate that benefits from the activity.

Real estate rentals are a precise measure of the market value of the community's multiplicity of services. These rentals can be readily and accurately recorded, as well as most economically collected, at local government levels.

It is probable that the most suitable structure for governments would be through popular election (with proportional representation) at local government levels and then by delegation from there to the allegedly "superior" but actually secondary and tertiary levels. Be that as it may, the most suitable structure for governmental finance would be through collection of the full site rentals by the local government body and then through an apportionment, against those collections, of expenditures at the secondary and tertiary levels.

If this then is the truly "economic" financial structure, we should direct our efforts accordingly.

Pricing the Environment

JONATHAN HENDERSON

A RECENT IEA paper* argues that direct government controls to discourage pollution would be less effective, more expensive and more arbitrary and uneven than pollution tax charges. Pollution is an "external" diseconomy that does not enter into the costs of its producer, says the author, because he does not have to pay for it by way of a tax charge; the better method of containing pollution, is by charges on the amount of the environment "used up" by pollution.

Now pollution in itself is no doubt undesirable, but the psychology of pollution is often misunderstood. The polluter is held to be a demon in a malevolent universe. Rational man does not wish to pollute; he merely wishes to gain advantage from the exploitation (non-pejorative sense) of natural resources. Where the disadvantages in the deterioration of the environment outweigh the advantages obtained from the extraction and adaptation of natural resources, instead of "the twin knights in shining armour" (government controls and pollution taxes) coming to the rescue by "socking the demons", it would be more appropriate to see who suffers from the disadvantages of polluted rivers, smoky air, etc. and to acknowledge that the site values of "the sufferers" have fallen. If taxes were to be levied on the environment through a price-mechanism system by means of charges on the economic rental values of all natural resources and urban sites (excluding improvements), then the polluter would tend to pay more and the persons adversely affected by pollution would certainly pay less!

Mr. Beckerman does *not* argue that because pollution affects the environment adversely it should therefore be stopped at all costs. He wisely recognises that the costs of reducing pollution must not exceed the benefits of improving the



quality of the environment. He says that "pricing the environment is the means of conserving it." However, he does not recognise that the environment (natural resources and urban sites) is already priced. For example (assuming planning permission is granted) if a factory is allowed into a residential area, the economic rental values of the sites on which the residential accommodation stands will fall, i.e. the area becomes less attractive for residential purposes (but possibly more attractive for industrial purposes—in which case the industrial site rental values will rise).

Apart from the absence of the above reasoning in his booklet, Mr. Beckerman does argue his case very well for pollution charges and against direct government controls.

THE CHOICE

THE above is the title of forty-one miniature essays* ranging over the main social and economic problems of our time. The author, an Australian, is Graham Hart, a lifelong advocate of the economics and philosophy of Henry George.

"The socialist policies of crippling taxation and inflation, capped with capital gains tax levied on inflated money" warns the author, "will have the ultimate effect of confiscating nearly all private wealth within the foreseeable future."

Mr. Hart's message is that Australia is following Britain in its destructive social and economic policies. Neither present-day so-called capitalism, nor Marxism hold out any hope for a better future. Only the policies of true free enterprise and a just system of land tenure and taxation will provide the answer. The choice is ours.

**The Choice*—published by The Henry George Movement in Australia (Western Australian Division) P.O. Box 93 Wembley, W.A. 6014. Available from LAND & LIBERTY offices at 50p.

**Pricing for Pollution* by Wilfred Beckerman, Institute of Economic Affairs, Dec. 1975—price £1.00.