

EMPIRE "FREE TRADE"

A Wireless Talk by

Sir William Beveridge, Director of the
London School of Economics*(From the "Listener," 10th December.)*

In opening his address last week Lord Beaverbrook made clear what he means by Empire Free Trade. He means that nothing is to come into Britain untaxed that does not come from some part of the Empire. The present system under which nearly everything comes into Britain untaxed from all parts of the world he calls World Free Trade. That, he says, has been tried and has failed us; he desires a new system called Empire Free Trade under which goods shall come into Britain untaxed from the rest of our Empire, but all goods from all foreign countries shall be taxed. Empire Free Trade does not mean Free Trade throughout the Empire, though it might be a step to that. For us in Britain to-day Empire Free Trade means simply putting a tax on everything that we import from foreign countries.

I should not use words in that way myself, but that is how Lord Beaverbrook uses them, and I am not going to quarrel with him about words or anything that he does to words. I am going to quarrel with Lord Beaverbrook about what he wants to do to Britain and the British Empire. Accepting his definition, what he wants ultimately is to get Empire Free Trade adopted by the whole of the Empire; what he wants at once is to get Empire Free Trade adopted by Britain without waiting for the rest of the Empire.

I am not going to say very much directly about Lord Beaverbrook's ultimate aims, about what he wants for the Dominions. The Dominions can speak for themselves, and have spoken. Their Prime Ministers have been here and have told us what they think of Empire Free Trade for the Dominions, about allowing all Empire products untaxed into their own countries. They have told us not in diplomatic roundabouts, but quite simply. These are their words, as you will find them in the Report of the Imperial Conference. "Empire Free Trade is neither desirable nor possible," says Mr Bennett for Canada. "The policy of Australia is like that of Canada," says Mr Scullin. "India is not prepared to depart from her present policy of discriminating protection." "South Africa cannot afford Empire Free Trade." Just like that. They said it very loud and clear. They went and shouted in his ear. But Lord Beaverbrook goes on pretending to be stone-deaf.

I am not going to play at pretending with Lord Beaverbrook. When my relations come half across the world to talk to me, I like to listen to them. I propose to concentrate now on two practical questions. First, would it be a good thing for us in Britain here and now to tax everything from foreign countries, and nothing from the Empire, without waiting for the Dominions to do anything? That is what Lord Beaverbrook wants. "Let us begin," he says. My second question is: What ought we to think, not of what Lord Beaverbrook proposes for the Empire, but of what the Dominion Premiers have proposed? What are the possibilities of Imperial Preference? That will be my second question.

First, then: Shall we tax all foreign goods? "Let us begin," says Lord Beaverbrook, and gives an argument for beginning, by stopping, as far as he can, all trade between Britain and all foreign countries. Here is what he says: "While we are leaving our own people unemployed, we are hiring foreigners to work for us.

We employ South American peons and German peasants to grow our wheat for us, Danes to raise and cure our bacon and herdsmen of the Argentine to look after the cattle that provide our meat. All these are just as truly in our employment as if we were paying their wages every week. But we cannot find employment for two and a quarter millions of our own fellow-countrymen." This is absurd, goes on Lord Beaverbrook; but the Governments that have failed to cure unemployment in the past are not to be blamed; they cannot cure it while we retain free imports. The only cure, it seems, is to stop free imports, to stop employing the foreigners instead of ourselves.

That is Lord Beaverbrook's argument. Is it a good argument? Frankly, it seems to me a very bad argument. It has to do with unemployment, yet it bears no relation to the tragic facts of our unemployment. It has to do with trade, yet it bears no relation to the facts of trade. Nearly a third of our unemployed to-day are in two great industries—coal and textiles—largely dependent on export; probably another third are in minor export industries or in industries like building or public works where no imports are possible. How is it going to help any of those people to a job for us to stop employing a foreigner abroad? How, indeed, is it going to help almost any of our unemployed in almost any industry? If we dismiss our Argentine herdsman or Danish bacon-curer, no South Wales miner or Jarrow riveter is going to get the vacant job. But to ask how stopping imports is going to help these unemployed is to under-state the case against Lord Beaverbrook altogether. The Argentine herdsman and Danish bacon-curer do not work for us for nothing. They work because we make things that they want and send these things out to them; they work to buy things from us; if we employ them, they employ us, just as fully. If we pay them wages, they pay us wages. The real cause of the worst of our unemployment to-day is that people overseas, chiefly in foreign countries though also in the Empire, are not rich enough to employ us as much as before. To make them poorer by ceasing to employ them is the short way to make things worse for ourselves.

Lord Beaverbrook's argument is no argument for him at all; it tells against him, not for him. His actual proposal, to tax everything—not only manufactures but all food and all raw materials—coming to us from all foreign countries, to tax not only wheat and meat and maize, but timber, cotton, copper, lead, zinc and iron ore—is as wild as his argument. It would rush up the price of everything. It would upset every wage bargain. It would put every export trade into Queer Street. . . .

The dominant fact about wheat is that the British Empire as a whole has a large export surplus to the rest of the world. Canada and Australia send more wheat out to foreign countries than Britain takes in from foreign countries. If Canada and Australia under a preferential system came to supply to Britain all the wheat which now comes to Britain from elsewhere, Canada and Australia would still in all normal years have to find a market for a large part of their crop outside Britain, in foreign markets. There they would find themselves still in competition with the Argentine wheat and other foreign wheat that had been excluded from Britain. How could the Canadian and Australian farmers then be any better off for the preference? So long as they competed with one another, they could not be better off; not one of them could get a penny more in Britain than the world price in the foreign market; if he began doing so, other Dominion farmers would send to Britain till the price in Britain came down to world level. If the Dominion farmers stopped competing with one another, and formed a ring, they could be better off; they could get a monopoly price under

preference in Britain and sell their surplus at the lower world price in foreign countries. But to suggest this as a means to Empire unity is just a bad joke. It means that Canadian and Australian farmers would exploit a monopoly given them by Britain in order to dump abroad; the British consumer in the name of Empire would pay more for his food in order that foreigners might get it cheaper than he did. The Dominion Premiers cannot mean this. But unless they mean this, they can get nothing by preference on wheat. What *do* they mean? They have said themselves that preference must be based on mutual advantage.

Wheat is outside the limits within which preference can work to mutual advantage. So for the same reason is wool. So for other reasons is maize. So are gold and diamonds. On any serious consideration, however sympathetic, one article after another goes out. They do not all go out. There are some new articles on which preferences might work at least as well as on the present articles, and there is one Dominion—New Zealand—with which a good deal more might be done than with the rest. But it all comes to very little in the end. And if one studies the question, not article by article, but in general terms, one gets the same result. As a possible economic unit, the British Empire has no likeness at all to the United States of America, either geographically or historically. Geographically its constituents are separated, not together. Historically its constituents, on their economic side, have grown up separately, not together. Some of the major economic interests of Britain and the Dominions now lie leagues apart. . . .

Their interest in high protection for their industries blocks the way. The fiscal policy of the Dominions is one of keeping out all goods, whether from Britain or elsewhere, which they can make themselves. They do not propose to lower any tariffs for us, but only to raise still more some of their tariffs against foreign countries. They do not even promise not to raise tariffs further against us. Indeed they tell us frankly that they will raise tariffs and shut us out still more as they develop their industries still further. The protective policy of the Dominions more than anything else narrows the scope for Imperial Preference. If and when they freely change that policy, the scope for Imperial Preference will be widened, and I, for one, will welcome this. Till then there is little doing.

And even then one last danger will lurk in all Imperial bargaining about trade. If trade grows naturally between countries, if it can be fostered by general measures such as research and spread of information and ease of transport, then good feeling grows naturally with it. But if trade has to rest on Government bargains there is as much chance of bad feeling as of good feeling. Suppose that the prosperity of Canada comes to depend on the price fixed for wheat by a Government Import Board in Britain, or the prosperity of New Zealand on the height of a British tax on meat from South America. Frankly, as a Britisher who values the Empire, I am a little frightened at the prospect. . . .

The only likeness to a Crusade that one can see in Lord Beaverbrook's campaign is that it would have fitted much better into an earlier century than it does into this one. It is just trying to put back Big Ben.

UNEMPLOYMENT AND THE LAND

By W. R. Lester, M.A.

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AGRICULTURE AND PROTECTION

A Tenant Farmer's Views

(Capt. A. R. McDougal's speeches in pamphlet form.)

A great service to the cause of Free Trade has been rendered by Capt. A. R. McDougal, of Blythe, Lauder (Scotland), in publishing in pamphlet form his statement exposing the fallacies of Protection, with which he has impressed many audiences and many newspaper readers during the past year. In this campaign he has gathered force, and no one speaks with more authority or with more radical conviction among the ranks of farmers who are taking public part in the controversy. Out of his notes for the platform and the kind of questions put to him by his audiences, Capt. McDougal has made of this pamphlet a first-class propagandist document. The objections stated, the grievances explored, the contentions urged, that cheap imports hurt agriculture, are presented and answered in a happy conversational style so that the reader is made to feel he is a member of a company of farmers who are having a heart-to-heart discussion on fiscal policy as it affects them.

Capt. McDougal, as a "plain, practical tenant-farmer of 30 years' experience," addressed a Glasgow Free Trade Conference on 21st November. The pamphlet is printed as a report of that address. It also puts on record for the education, we hope, of a much wider public the lesson already taught on many a platform since Capt. McDougal made his notable statement at our International Conference in Edinburgh, 1929.*

Having disposed of all the pleas for Protection, Capt. McDougal goes to the root of the matter in relating Free Trade to agriculture and the land question:—

"The lasting and permanent solution of our farming troubles is not to be found in doles and tariffs, but in the reform of our antiquated and harmful system of land tenure. . . . The broad issue is clear. It is simply whether the present low food prices must be raised to bolster high rents, or whether rents must come down to meet low food prices—dear land and dear food *versus* cheap land and cheap food.

"Who will benefit from Protection?—the land-owner alone. Who will pay for it?—the taxpayer and consumer. Who will suffer most by it?—the tenant-farmer.

"Freed from landlordism we can compete with anyone. Shackled by landlordism, antiquated leases and sporting rights, we must inevitably remain a depressed industry."

The final word in what the author advocates as best for farming and the State is Free Trade, immediate reduction of rent, land tenure reform, the taxation of land values and the removal of rates and taxes from improvements. And this is emphasized.

There must be a definite statement that on no account will agriculture or any other industry receive any State financial aid or unfair remission of rates or taxes.

The new pamphlet, *Agriculture and Protection: Its Fallacies*, is printed by A. Walker & Sons, Galashiels. Copies may be obtained for the cost of postage (1d.) from our offices. It is an outstanding contribution to the literature on the subject and a guide of the greatest value to any platform speaker. A. W. M.

* See the United Committee's pamphlet, *Agriculture and Land Value Taxation* (price 1d.), being the papers presented at the Edinburgh International Conference by F. C. R. Douglas, M.A., Capt. A. R. McDougal, and James Scott M.P.