

UNEMPLOYMENT and stagnation have been steadily rising in many countries, and there has been a rising chorus in most of them demanding more protection from foreign competition. The old fallacies of protectionism ride again.

But strong voices have spoken out against this trend.

President Reagan, as reported in the last issue of *Land & Liberty*, warned how peace was threatened by the growth of protectionism.

Former Presidents Jimmy Carter and Gerald Ford have, in turn, issued a joint statement which declared: "Governments in many parts of the world are faced with pervasive economic ills: sluggish economic growth, high rates of inflation and high levels of unemployment. In the search for solutions, they are being pressed to guarantee markets for particular interest groups by adopting protectionist measures: import restrictions, export subsidies, trade barriers in new guises.

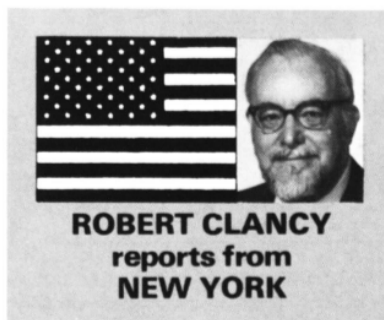
"These seductive remedies for economic ills threaten to drag the world into another period of trade warfare such as the one we experienced during the Great Depression.

"They are seductive because they promise remedies to ills without taking into account the new ills they will create. In fact, they are not a remedy for the principal malady for which they are prescribed: unemployment. The truth is that for every job they protect, they are likely to cause the loss of more than one job. Trade warfare will put the world economy at peril..."

Well said! Carter and Ford were right to link protectionism with the economic conditions of the '30s. At that time, during the most crippling depression in U.S. history, the worst tariff in U.S. history was passed – the Hawley-Smoot tariff – which economists agree simply deepened the world crisis.

Yet the "seductive remedies" of protectionism are again appealing to many.

It's time to practise what we preach



In the last election, Democrats made considerable gains in Congress and in state governments at the expense of Republicans. The poor state of the economy was the chief issue – and when conditions are bad the party in power always loses.

Jobs were an overriding concern – and it is hard to convince the unemployed, and those threatened with unemployment, that foreign competition is good.

In years past, Republicans were the high-tariff party and Democrats the low-tariff party. Roles have been reversed. Now Republicans are preaching free trade while Democrats preach protection.

In the old days Republicans generally sided with industries which wanted protection against foreign competition. Nowadays, with so many multi-national corporations, it's the labour unions which feel most threatened, and their main influence is in the Democratic Party.

INDUSTRY, however, is still worried. Although top leaders are expressing sentiments in favour of free trade, there is still a lot of hedging.

Here is an excerpt from an interview by *Barron's* (a financial weekly) with U.S. Commerce Secretary, Malcolm Balbridge:

Q: To sum up on free trade, you're in favour of almost free trade?

A: I'm in favour of free trade but we have to protect ourselves on the way to it.

This curious sentiment expresses the current ambiguities on the subject.

In the first place, "free trade" – an untrammelled international free market exchange – is far from being promulgated. Instead, what is under discussion is an "international trading system" which is by no means free from government involvement. Cautious agreements are negotiated one by one, quotas are imposed and countries are asked to exercise "voluntary restraints" in exporting their products.

The U.S. protests against the subsidising of agriculture by the European Economic Community, but does remarkably similar things with its own agriculture.

The free market is preached but not practised.

There is still a European Free Trade Association, consisting of western European countries which are not members of the E.E.C. (Britain and Denmark dropped out of E.F.T.A. when they joined E.E.C.) But E.F.T.A. does not amount to free trade either. The association has import-export problems and member nations have negotiated deals with one another as well as with E.E.C.

The U.S. has lost a lot of its manufacturing leadership, especially to West Germany and Japan. Not to worry, say the optimists, the U.S. is forging ahead in the service industries (computers, telecommunications, etc). True – maybe. Other countries want to get in on this act too. And the service industries are not making up for the loss of jobs in the manufacturing industries. The U.S. has the highest rate of unemployment since the '30s – and so have many other countries.

Thus there are many forces and undercurrents causing the rising tide of protectionism. The question is: can all the King Canutes hold back this tide?

The unsolved economic problem lies at the root of the world trade problem – and ultimately world peace. The spectre of unemployment and depression still haunts the world. Measures so far adopted – ranging from supply-side to Keynesianism to socialism – have not worked.

Is it not time to look at the fundamental but generally ignored diagnosis of land monopoly and land speculation as the basic cause of unemployment and depression?

Should we not now consider the fundamental remedy of full land value taxation and the abolition of other taxes? This measure would encourage production and permit a truly free market to operate without the dangers inherent in our present system. With a prosperous domestic economy, free international trade would come much more easily.

VANDALISM!

BRITISH Leyland, the ailing car maker, is about to demolish over a million sq ft of factory space in Coventry to avoid paying £191,000 in rates, the local property tax.

Coventry Council levies 50 per cent of the normal rates on unoccupied premises.

The full story of the destruction of buildings, as a way of sidestepping rates, appeared in the Jan-Feb. 1982 issue of *Land & Liberty*. Rates are not payable on vacant land.