

2. ADAM SMITH AND FREE TRADE

HOW FAR did the publication of *The Wealth of Nations* in 1776 influence Britain in her economic policies? Dr. Roy Douglas examines the context into which the philosophy and economic thinking of Adam Smith fits.

Born at Kirkcaldy, Scotland, in 1723, Adam Smith held the Chair of Moral Philosophy at the University of Glasgow. After writing his great book he became Commissioner of Customs until his death in 1790. His book coincided with the American Declaration of Independence which put an end to an economic system called Mercantilism. Smith was much influenced by the ideas of the Physiocrats who believed the recuperative powers of the human body would set things right. Matters should be allowed to take their own course; trade should not be regulated; people should be free to decide their own patterns of living, act on their own judgements - to the general good of the community. "Let trade be *free* and the Unseen Hand of Providence will ensure that men seeking their own interests will succeed as well in advancing the interests of others."

Lord Shelburne, Prime Minister in 1782, held this view and was working towards a settlement with the Americans based on trade liberation - but was too late to save the American colonies. He could see however that it was important for Britain that these colonies should expand, grow prosperous and increase the market for British goods, rather than be tied to an economic and political union they did not want.

William Pitt the Younger, who became Prime Minister in 1783, was also much influenced by Adam Smith and made some concessions to free trade: a reduction in the tea tax, for example. With the French wars Pitt forgot his economic principles and trade with Europe was largely geared to the war itself. After the war the Corn Law of 1815 was devised as an expedient, not so much as a system of tariffs but as an embargo on foreign foodstuffs. Parliament was motivated by a desire to be economically self-sufficient should war strike again.

After twenty years of warfare the doctrines of Adam Smith gradually became popular again. By 1820 the merchants of the City of London were petitioning Parliament for a new economic policy - urging that the principle of buying in the cheapest market and selling in the dearest was as beneficial to the nation as it was to the individual trader.

In 1823, William Huskisson, then President of the Board of Trade, made a number of reforms in the direction of free trade. The embargo on foreign corn

was replaced with a sliding scale of import duties. A long period of political, rather than economic reform followed, although one of the most ardent free traders, Richard Cobden, was writing widely and by 1838 after a disastrous harvest, the Anti-Corn Law League was set up to campaign for repeal of the 1815 Act.

Another movement competing for attention was Chartism, directed towards political reform. By the 1840's prosperity returned and both movements declined. In 1846 the Corn Laws were in fact repealed and foreign corn allowed freely into the country. Prosperity lasted for nearly thirty years during which time nearly all the remaining restrictions on trade were removed.

Although there were many factors that brought about the whole free trade movement, it must be said that the intellectual power of Adam Smith, and the depth of his analysis, pointed the way.

3. HISTORY THAT MIGHT HAVE BEEN

HOW would the industrial revolution have been affected had our political leaders chosen LVT instead of income tax to pay for a war? This paper attempts to rewrite the history of Britain from 1800 showing how land-value taxation might have altered our industrial society at its foundation.

One reason for exploring this idea is to look more closely at class divisions which hardened with the industrial revolution, while the growth of factories destroyed not only the craftsman's skill but his work satisfaction. As the new machinery redistributed incomes and raised the level of wealth for most people, strife on the factory floor - the US and THEM conflict - is one legacy from the industrial revolution that still plagues us.

The end of the 18th century also saw the beginning of the great enclosure acts - along with increasingly loud crys for land reform. Tom Paine who shouted as loudly as any, went into exile in North America; Thomas Spence, who advocated that land rent be used to support the poor, maintain the roads and encourage agriculture, was arrested. Society was dominated by a landed aristocracy of about 300 families and these not only held estates but controlled Parliament.

Between 1780 and 1815 Parliament passed 2,900 Enclosure Acts which affected a quarter of Britain's arable land. While on the one hand this had the effect of raising productivity it also created the landless peasant, once the smallholder or farm worker with his own plot.

Arthur Young, an advocate of enclosure, realised only too well that the poor were "grossly injured" by

enclosure. But overall, the rental incomes of a small number were enormously boosted.

The paper suggests that land-value taxation, brought in at this time, would have had a profound effect on such an economy. Land, power and money would have moved into distribution among a far larger number of people. Poverty arising out of landlessness may have been eliminated. Entrepreneurs would have been obliged to offer higher wages and better conditions to attract labour. Landowners who once enjoyed their land merely for hawking and hunting may well have taken a more rational attitude towards its use - giving rise to more employment.

Some enterprising landlords made contributions to industrialisation, exploiting mineral deposits, digging canals, building ports, founding banks, opening markets, but later they retreated into the passive role of the rentier. Others hindered development, as for example the many landlords who prevented the building of railways over their land, until in time, they realised that railways sent rents soaring on adjoining land.

Under LVT, the rise in land value would have gone to the community rather than swell the finances of the already rich. Many landowners began to fix short leases only, so that they could re-acquire the land if they wished. Farmers were deterred from undertaking capital improvements on land so insecure in title. Such farms operated below optimum efficiency.

Thus, large areas of land stood idle while men were unemployed. When the war was over in 1815 the bottom fell out of the land market. The owners, however, rather than reduce prices or give away parcels of land, fell back on other resources to protect themselves against depression. They were under no pressure to part with their land. A tax on land values at such a time would have encouraged them to hand over idle land to those who could make productive use of it and it would have tailored the price.

In order to study comparative figures the years 1860-1870 are taken. Investment, rent and government expenditure are looked at closely and the following comparisons drawn. First, investment would have been higher, because there would have been no need for customs and excise duties; profits would have been larger therefore and the total volume of trade greater. Secondly, income tax would not have been a drain on wages - thus more private spending and saving.

In 1849 there were over two million paupers. Relief was paid for out of rates but this understates the problem of poverty because at this period private charities were spending tens of millions of pounds per year in aid.

Under LVT able-bodied men would not have been forced into idleness. There would have been full em-

ployment, with national incomes higher, fewer paupers and therefore rates could have been spent on capital investment in building.

The guide lines laid down in the paper are invaluable for countries currently struggling towards industrialisation. Many of them are now introducing programmes of "land reform", but often simply redistributing land to the peasants without the safeguard of public ownership of land rent.

The U.N. has not yet seen the light with regard to land reform and no late developing country has yet seen the wisdom of a fiscal policy which brings minimum disincentives on trade, together with a bonanza income from taxes on unearned income.

If any government did implement LVT, it would speed up industrialisation and exploit to an optimum level the country's natural resources. We have the knowledge but it will take political courage to challenge conventional wisdom and strike out on a new path.

4. OFFSHORE SEA RESOURCE DEVELOPMENT

FOR CENTURIES the ordinary man has made a living on the sea - by fishing, or transporting people and goods - and has usually done so without interference. The oceans have been a "free good". But nations have begun to dispute over the waters around their coasts and claim jurisdiction over them for three, or fifty, or even perhaps two hundred miles offshore. Ruthless exploitation, by corporations and other bodies, has brought about regulation and licensing. Technology has arrived.

No doubt part of the energy crisis in the U.S.A. and other countries has been brought about by monopolists - the oil producers for example. Economic boom, wasteful land use and unjust taxation systems have led to depletion of rich energy resources. This has put a premium on the development of new energy sources. There is also a shortage of food - with food prices rising, while the shortage of water is affecting industry.

In the face of fuel, food and water shortages, we turn to the oceans. Many countries are engaged in offshore oil exploration and exploitation, as well as in the less well publicised development of offshore solar power, desalinization plants and mariculture tanks. These are areas of tremendous promise but unless we act quickly to prevent land speculation, costs will escalate.

The French physicist, Jacques D'Arsonval, reported on solar sea power in 1881. Such power is based on the fact that more than 70 per cent of solar radiation falls upon the oceans. In the tropics the sun's heat