

ments. The law now passed is an event of exceeding importance. The Pennsylvanian legislature has, in particular, set an inspiring example for other States in the Union to follow.

A Resolution to Remember

At the General Election in 1923, Mr. Baldwin, Conservative Prime Minister, went to the country to secure a mandate to institute Protection as a cure for unemployment. The Conservatives were defeated, the Labour and Liberal Parties having a joint majority of 85. It is interesting to recall the following extracts from the Manifesto issued by the Labour Party at that time:—

"The Labour Party challenges the tariff policy and the whole conception of economic relations underlying it. Tariffs are not a remedy for unemployment. They are an impediment to the free interchange of goods and services upon which civilised society rests. They foster a spirit of profiteering, materialism, and selfishness, poison the life of nations, lead to corruption in politics, promote trusts and monopolies, and impoverish the people. They perpetuate inequalities in the distribution of the world's wealth won by the labour of hands and brain . . . The Labour Party proposes to restore to the people their lost rights in the land, including minerals, and to that end will work for re-equipping the Land Valuation Department, securing to the community the economic rent of land, and facilitating the acquisition of land for public use."

Conservatives Applaud Socialists

The British Labour Government has adopted Protection as a permanent feature of its economic policy. It has renounced for ever the free trade pledges it gave in its 1923 General Election Manifesto, the text of which we print above, and has disowned the free traders who helped to build the party. This was made clear in three recent authoritative statements by the new President of the Board of Trade, Sir Hartley Shawcross. As various Conservative M.P.'s declared, it is an important decision which will have far-reaching effects.

Speaking in the House of Commons, June 6, during the discussion of Clause 3 of the Finance Bill which was designed to extend the Key Industry Duty for a further three years, the President condemned as "inconvenient" the present system of operating two parallel sets of Import Duties, one under the Safeguarding of Industries Act, 1921, and the other imposing the *ad valorem* duty under the Import Duties Act, 1932. He declared: "I do not think there is much difference of opinion between the two sides of the Committee in principle, except perhaps on the part of those who take the full Free Trade view." It was the intention of the Government to go ahead with the objective of arriving at a single tariff code and of assimilating the key industry duty system with the Import Duties system. It was desirable that there should be a single measure, as comprehensive and simple as possible. The Government hoped that this could be achieved within the next three years and that an improvement in the international situation would make unnecessary a special code for safeguarding those key industries vital for strategic purposes. Remarkd Mr. H. F. C. Crookshank (Cons., Gainsborough): "The Labour Party has now become a tariff party." While Mr. C. Williams (Cons., Torquay), a lifelong protagonist for protection, said of Sir Hartley: "I am glad he has been able to push his party into common-

sense, and I hope some wretched professor will not push it back again."

The Board to Restrict Trade

Sir Hartley reiterated his support for Protection a few days later (June 11) at a luncheon given by the Chamber of Commerce of the British Empire. While he is President of the Board of Trade, he said, he would do nothing to weaken Imperial Preference. He denied that there was some kind of conspiracy to whittle Preference away and claimed that the effects of the Torquay G.A.T.T. Conference "were negligible compared with the total value of imperial trade." The Government regarded Imperial Preference as of the greatest importance for increasing Commonwealth trade to the maximum amount possible. It agreed to reductions in British tariffs only where it can secure from foreign countries concessions which it regards as being at least equally valuable to Britain and the Commonwealth as a whole. Sir Hartley emphasised that if sometimes the policies he had to carry out might not at first sight seem helpful to Empire trade it was because in the exceptional conditions of the world to-day, it was impossible to put a complete and permanent tariff bar or an embargo on particular imports simply to protect an Empire industry.

Peace Treaty—Tariff War

In a written reply to a Parliamentary question, July 12, Sir Hartley pronounced again the Government's favour for tariff protection. This time it was to safeguard British manufacturers, and especially the textile industry, against Japanese competition. In view of Japan's pre-war record, the Government had decided not to accord most-favoured-nation rights to the Japanese. It felt that for the present it must retain *freedom to protect the British economy against abnormal and injurious competition* (sic). Further, Japan would be required under the Anglo-American draft treaty to renounce the trading rights in the Congo Basin territories accorded to her as a signatory of the St. Germain-en-Laye convention.

Hypocrisy of Imperial Preference

It is worth while recalling for the benefit of Sir Hartley Shawcross and his dissenting colleagues in the Labour Party the great free trade speech (only one of many) Mr. Philip Snowden, Chancellor of the Exchequer in two Labour administrations, gave at the Cobden Club Annual Dinner, July 1, 1924. The Conservative Party had been soundly defeated at the General Election the previous year on the specific issue of protection or free trade, and a Liberal-Labour Coalition Government had been returned to power to remove all barriers to production and trade.

There was no distinction, Mr. Snowden said, between Protection and Imperial Preference, except in degree. Imperial Preference was simply a stepping stone to an all-round and complete system of Protective Tariffs. He had known no political crusade, no political campaign in this country more hypocritical than the campaign for Imperial Preference. He never heard the canting hypocrisy about the Empire used in order to beguile the people into support for Tariff Reform or Protection without feeling a measure of disgust. It was not Protection which had made the Empire. It was liberal principles which cemented the Empire and liberal principles would maintain the Empire. He knew no more certain way of bringing it speedily to destruction than

the propagation of the idea that it could be kept together by a nexus of selfishness The most provocative cause of wars was tariffs. There was nothing more civilising, nothing more calculated to break down international jealousies and misunderstandings than free intercourse in trade.

Trade Relations with Japan

The ablest comment we have seen in the daily press concerning the restrictive trade provisions in the draft treaty with Japan is that by Mr. Oscar R. Hobson, City Editor of the *News Chronicle*, July 17. We give these extracts from his article:—

"Insufficient attention seems to me to have been given to Sir Hartley Shawcross' announcement in the Commons last week that this country had decided to withhold from Japan, the 'most favoured nation,' treatment which under the draft treaty of peace we could grant her in exchange for reciprocal action on her part.

"Sir Hartley explained that we did this 'bearing in mind the pre-war record of Japanese competition especially in the textile trades' and 'because we feel we must for the present retain our freedom to protect our economy if necessary against abnormal and injurious competition.'

"In plain language we have decided to discriminate against Japanese imports both into this country and, what is more important, apparently into the Colonial territories as well, on the ground that Japanese wage rates and production costs are lower than ours.

"This, of course, is just the old nationalistic argument against 'unfair competition,' which has so often been demonstrated to be economically unsound, and which in the present context is politically dangerous in more than one respect.

"If the Japanese standard of living is lower than ours, so also is our standard lower than that of the United States and Canada and a good many other countries as well.

"In the old days when we were among the wealthiest nations of the world we could at any rate advance the 'unfair competition' argument without patent inconsistency. Now we cannot and if we try, we are only too likely to expose ourselves to the like treatment from others just as we are finding to our cost that an unpleasantly double-edged weapon can be made from the concept of industrial nationalisation.

"What is much worse is that we are apparently intent on keeping cheap Japanese goods out of the colonies. The populations of British West and East Africa and Malaya are to be deprived of the right of buying low-priced Japanese cotton cloths in order to preserve their markets for the more costly Lancashire goods.

"In the Commons debate on resale price maintenance last week Labour speakers waxed eloquent on the virtues of competition and low prices. Mr. Anthony Crosland said: 'What we want to do is to restore a degree of healthy price competition because we believe that everybody will gain and nobody will lose by it.' Sir Hartley Shawcross developed the same idea: 'We must indeed seek to . . . break the chains which at present hold back . . . the general progress of industry under the spur of free competition.'

"In the face of such sentiments and of all our talk on the need for colonial development, the Colombo Plan and so on, the Government's decision on Japanese trade must sound very much like hypocrisy in the ears of the world."

Mr. Hobson added that when these provisions in the draft treaty with Japan came to be debated in the House of Commons the Conservative Opposition and the Government would be seen in an unholy alliance. "What a chance for the Liberals," he exclaimed.

What Inspired the Pioneers?

One of our readers, asking a comment, has found the following statement at page 787 of the book *Economic Analysis* by Kenneth Boulding, published in 1941 by Harper & Brothers, New York, for the Colgate University.

"We cannot even assume with Henry George that increments in land values are 'economic rents.' The increment of land value may be in many cases the reward of pioneering; and if full taxation of land values had been in effect in the nineteenth century, it is probable that the great westward expansion of the United States would never have taken place for the expectation of rising land values was one motive which inspired the pioneers to invest their lives and comfort in the development of an empty continent."

Mr. Boulding is in error. In no case did the value of land rise for any reason other than as a result of the increasing, competitive demands of an expanding population, using improved methods of cultivation, for land which was in fixed supply. It is true, of course, that had there been no pioneers there would be free land still lying idle, but it was the pressure of population who came later, and not the pioneers, who increased land values.

Who created these Land Values?

This is admirably demonstrated in Homer Hoyt's book *One Hundred Years of Land Values in Chicago*. In 1830, with a population of less than 500 the land value of the whole area now covered by Chicago was \$168,800, and the price of any land in the district was \$1.25 an acre. By 1836 a land boom, caused by the building of the Chicago Canal, had raised land values to \$10,500,000, population 4,000. By 1856 population had increased to more than 80,000, and in addition to the presence of the Canal, Chicago had become the railway centre of the West. Land values increased to \$126 million. As year after year went by and Chicago improved its amenities and increased its population, land values rose. In 1873 they had reached \$575 million; \$1,000 million in 1892, \$2,000 million in 1921, \$5,000 million in 1928, and with the industrial activity during and since the last war they are still rising. Who, in possession of these facts, would claim that these phenomenal increases were the reward of pioneering?

The U.S.A. that could have been

As for Mr. Boulding's second point, it is incontestable that the development of the United States would have been greatly different had equal rights in the land been statutorily declared, and the full value of land taken for the community. With speculation rendered impossible, and the differential advantage of one site as compared to another removed by the full taxation of land values, pioneers would not have had to thrust westward past rich lands held idle. But this is not to say the westward expansion would not have taken place. Attracted by the guaranteed high wages of a vast sub-continent capable of absorbing many times even its present population, where none could exploit his fellows, tens of millions