



## LAND & LIBERTY

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Editorial Offices:

11, TOTHILL STREET, LONDON, S.W.1.

All communications to be addressed to the Editor.

Telegrams: "Eulav, Parl., London."

Telephone: Victoria 7325.

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### SOME FALLACIES OF PROTECTION

Protection at first glance is plausible, and derives its plausibility in the main from three ideas which are tacitly accepted by superficial thinkers. These superstitions on assumptions are as follows:—

- (1) That the foreigner pays the tax.
- (2) That imports are paid for by gold, and that gold is the most real form of wealth.
- (3) That Nation trades with Nation.

A very cursory examination shows these to be no more than beliefs unrelated to facts.

If, in his hurry to capture the British market, the foreigner as is alleged, will pay the tariff taxes we impose on the goods he sends us, it follows that we, in our zeal to capture the foreigners market, will pay the tariff taxes the foreigner imposes on the goods we send him. Thus, according to this theory, foreigners can be made to pay British taxes, and Britishers to pay foreign taxes—a topsy-turvy world to be sure! Surely the truth should be clear that, short of an indemnity imposed by force or the threat of it, the peoples of every country pay their own taxes, and not those of the foreigner and no conceivable protection can alter this simple fact.

The second obsession—that imports are paid for by gold and that, therefore, they drain the country of gold—though now abandoned by most protectionists of standing, is still very widely held by the rank and file of that party. But it may be shortly and finally dismissed by looking at the matter from both sides as we have done with the first. If, in selling goods to us, the foreigner drains us of gold, it follows that in selling to him we drain him of gold and since we are the greatest exporters of goods in the world it follows that we drain more gold from him than he does from us. So it would seem, according to this obsession, that when international trade goes on the foreigner is all the time busy robbing us and we busy robbing him, though of the two robbers we are the greater.

The third notion, which makes many an easy victim to protection, is that nations trade with each

other and since very many good people treasure in their minds a fanciful idealistic picture of their nations as entities superior to and distinct from the individual citizens who compose them, so they are very ready to take for granted that one code applies to nations and another quite different code applies to individuals. Thus, it comes that in matters of foreign trade such people are ready to think that nations should act in ways in which it would be absurd for individuals to act. They would not for a single instant urge private traders to ignore the sound old business rule of buying in the cheapest market wherever it may be, for they know that if traders allow sentiment to deflect them from this rule they will soon find themselves in queer street. But having come to conceive of nations as trading and of nations as being different from the individuals who compose them, they are not at all shocked at the idea of erecting tariff walls expressly to prevent the sound business rule being followed and to force buying in markets which are not the cheapest, on the sentimental plea that the buying and selling should take place between kith and kin. Sentimental nationalism obsesses them even to the length of ignoring the most elementary of business rules. All such folly would cease did these people but recognize the very simple fact that trade is carried on by individual traders and not by nations. They would then see straight in the matter and might condescend to leave traders alone to follow their sound business instinct in foreign trade just as they are allowed to do in home trade.

Do not let us forget that foreign, like *all* trade, is carried on by individuals for their *mutual benefit* and that when Englishmen trade with foreigners they both do so of their own free will for the benefit of both. It is a parody of the fact to say that either forces or "dumps" his goods on the other as we are informed by protectionists. The simple fact is that when foreign goods come into a country it is because they are desired in that country and it is an advantage to have them. They would not come otherwise.

It is, perhaps, not worth while exposing further the unwarranted assumptions on which the Protectionist idea is based, for time and again has the fabric been shattered and shown to be devoid of sanction, either moral or intellectual. But it is also true that time and again the same idea has arisen from its grave and to-day once again commands such support as to threaten free trade in this country as it never has been threatened before.

How is the persistence of a theory so demonstrably false to be explained? The mere fact that it does persist despite disproof makes it clear that something more than mere exposure of its fallacies is necessary. Surely there must be something out of gear in the existing social order which twists men's minds and gives such plausibility to superstitions that millions accept them as truths! It seems clear that unless this hidden "something" is discovered and dragged into the limelight the knock-out blow will not be given to protection. Unfortunately, when we turn to the orthodox Free Trade campaign we find no effort made to do this. Nothing is there found, either said or written, beyond arguments which

though sound and unanswerable in themselves are the same arguments which in the past have completely failed to uproot the protectionist idea.

It is quite true, as insisted on in the campaign now being launched against protection, that tariff taxes raise prices and the cost of living. That is proved beyond doubt. But what are we to say to the man who asks how cheap goods help him if he has no money with which to buy them? That man—and his name is million—has touched the spot. He has got to the root of the matter and must be convincingly answered if protection is to be got out of his mind once for all. It does not suffice to show him that cheapness is good and dearness bad because the cheaper things are the more he can buy. That does not convince him for he knows that the history of industrial progress is one long record of cheapening things by labour-saving devices and that nevertheless it is as hard to make a living to-day as when powers of production were infinitely smaller. He knows, in fact, that agreements between employers and their men are common under which wages are made to vary with the cost of living, so that the cheaper goods become the more wages are reduced. So what use, he asks, are cheap goods to him, and how can he be hurt by dear ones?

To present free trade as a powerful means of keeping down prices (and so it is), and protection as a sure way of raising them, does not necessarily appeal to the man who is conscious of these facts. He is apt to say that free trade has been tried with results as stated and that protectionists promise him something better. The drowning man catches at straws so why not give protection a trial? he asks. If the man who asks this question is once for all to be persuaded to reject protection for the swindle it is, the free trader must carry his campaign further than he has done till now, and show beyond any doubt *why* the long process of reducing costs through labour-saving devices—of which free trade is one of the most potent—has not brought to the common man those benefits he has the right to expect. It must be demonstrated *why* free trade, the cheapener, has failed to make living easier, abolish unemployment and bring about real economic independence.

The present exponents of free trade make no attempt to explain this failure. They do not attempt to show that were free trade followed out to its logical conclusion these things would be very different and thus they leave the field clear for the protectionist, who tells the working man he is poor and cannot buy the cheap free trade goods because the wicked foreigner keeps his wages down with the "dumped" goods which would be kept out by the tariff wall and wages thus allowed to rise. He tells us that, sheltered behind the wall, the pockets of the common man will then so bulge with money that such a trivial question as price will not matter. Limiting himself as he does to defence of the very partial economic freedom we now enjoy, the free trader finds these things hard to deal with. But they are quite easy to deal with by free traders if they will abandon the defensive and adopt an attitude of aggression. Here aggression is the best defence. Where free trade is presented as nothing more than

liberty to buy in the cheapest market and is confined to negative criticism of protectionist crudities and fallacies, it has failed to stem the tide. But were it presented in its fullness as a policy not only of freedom to trade but also, what is more important, as a policy of freedom to produce, all these doubts and questionings would be completely met.

It is here where the "100 per cent free trader" comes in. The essence of free trade is liberty. Till now its advocates (with the notable exception of Henry George, the greatest of free traders) have stopped short when they have shown the advantages of trading freely with foreign countries. But if the support now given to protectionist fallacies and crudities is to be finally undermined, free traders must push their policy to its logical conclusion, and couple freedom to trade with freedom to produce.

Free trade must be coupled with free industry. The two freedoms are in truth inseparable if the full policy is to be presented. Let free traders demand that not only trade but also production and industry be freed from taxation. Were free trade thus carried to its logical conclusion a complete answer would be given to those who now look askance at the policy because, as they think, it has given them cheap goods but no money with which to buy them. It can be shown beyond question that trade free from taxation, coupled with industry free from taxation, would together bring with them the end of unemployment, and higher wages to all engaged in productive industry. For if the State ceases to tax industry an alternative source of revenue must be found and the only alternative is the economic rent of land, or the value which attaches to land because of the presence and work of *all* the people. This fund, though now passing into private pockets, is the natural source of public revenues and in measure as industry is freed from its load of taxation it would have to be drawn on. The relief of industry and the taxing of land values would bring into use locked up natural resources of every kind and throw open to labour and capital opportunities of every kind now closed to them.

This extension of free trade into wider fields is the true and final answer to protectionist fallacies. Not restriction of liberty, as protectionists would have, but extension of liberty into wider fields, is the way out of present troubles.

W. R. L.

Mr Alexander Mackendrick has an interesting philosophic article entitled "Economic Democracy" in the April number of the *Hibbert Journal*. "Economic democracy," he writes, "is based upon an ethical postulate; it is indeed itself an ethical postulate. It asserts the eternal difference between rightful and wrongful possession of the physical means of life. It recognizes the two distinctive streams of wealth . . . which between them carry the total results of Man's individual and co-operative efforts; and it affirms emphatically that it is wrong for individuals to lay hands on wealth that flows from the social or combined efforts of men; that it is equally wrong for Society to appropriate in any way the natural rewards that accrue to the labours of individuals; and that it is trebly wrong to permit the closing up of the sources from which either form of wealth is produced."

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