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True Free Trade and Laissez-Faire

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If we were trying to express current opinion on fiscal policy we should say that though, as a principle, free trade cannot be controverted, it is out of the question for one country to adopt it so long as others refuse. Most protectionists go thus far towards free trade and very many free traders go thus far towards protection.

But no man can have fully grasped the free trade argument who does not know that even were every country but one to maintain its barriers it would richly pay that one to demolish its own. No man has mastered the free trade case who does not see that. Trade benefits both buyer and seller. If every party but one labours under the delusion that this is not so and chooses to deprive himself of the benefit by tariffs, quotas or prohibitions, is that any reason why the remaining party, not similarly illusioned, should do likewise? If all countries but one restrict the wealth-bringing stream of imports, is that any reason why the one that remains should do the same?

Only an unreasoning superstition, based on the belief that imports are injurious, makes us believe that no one country can demolish its barriers so long as others maintain theirs, and the fact may as well be faced that free trade will have small chance of acceptance so long as this superstition prevails. It is then our bounden duty to ask why this and many other demonstrably absurd notions regarding commerce are so widely credited. There must be some reason why we accept as true such ridiculous notions as that a people gets rich by sending things away, and poor by bringing them in; that it is better for things to be made within a country than for them to be bought outside even though they can be bought outside more cheaply; that the foreigner who sends us the things we want is depriving us of our livelihood; that to accept goods made by the cheap labour of Japan, for instance, must bring wages in England down to the Japanese level. Why do such illusions survive despite all free trade argument? It is surely possible to find the reason for this fallacy and we believe it to be that the true free trade case is seldom stated in its entirety.

If it is to be advocated with full force, freedom cannot be split up into compartments and presented in bits. Yet that is just what has been done in presenting the free trade case. The doctrine of freedom as advocated by orthodox free traders is seldom applied beyond the sphere of external commerce. Trade has been dealt with as if it were quite independent of production. It has been assumed that fiscal freedom would be fully attained if tariffs and other hindrances to foreign trade were swept away, while the much greater burdens now imposed on productive industry have been completely

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ignored. Yet trade is indissolubly bound up with production, so that every penalty imposed on production must produce its effect on trade. A tax on the making of a motor-car or the building of a house at home is as flagrant a violation of free trade principles as a tax on goods imported from abroad. Were foreign trade delivered from every tariff, quota and restriction, full economic freedom would still be unattained if the burdens and penalties now imposed on production were allowed to remain.

Production is the necessary antecedent of exchange, so that any restriction imposed on production must find its expression in restricted exchanges. Yet it is a fact that the greater part of present taxation, both national and local, is levied in such a way as to penalize production.

Free traders must know that there is not the slightest need to continue raising revenue on present lines. They must be aware that there exists a public fund which comes into existence as a result of the associated wealth-producing efforts of the citizens and of the services performed by government, and that this fund could be drawn on by government to pay for its services without imposing any burden whatever on industry or commerce. This purely communal fund is the land value or economic rent of the country, and present taxes on commerce and on production are resorted to only because the community permits its natural revenue to flow into private pockets. To turn this fund into the public treasury is in direct line with the free trade policy of breaking down barriers and with the development of that policy into wider fields.

Were the conception behind free trade policy thus carried to its natural issue absurd notions, such as those referred to earlier in this paper, could no longer find the general credence they now enjoy; for the false environment which makes error appear as truth would be changed to another in which things would be seen as they really are. Men's thoughts are influenced by the environment in which they live, and if they live in a society such as the present, where work is scarce and fear of unemployment ever present, outlook on economic questions is distorted and different from what it would be if opportunities for employment offered themselves without limit and were accessible equally to all, free from every obstruction.

Where work is hard to get it becomes a prize eagerly sought after. Where the number of jobs is restricted it is inevitable that would-be workers left behind in the race for employment should regard their successful rivals with scant favour, more especially if these rivals should happen to be foreigners. In this environment, should the foreigner do us the very real service of supplying the cheap goods we want, we give ready credence to the protectionist who tells us this foreigner is doing us an injury by *depriving us of the work* that properly should be ours. Suffering as we do from unemployment and therefore regarding *work* as the end to be attained, we readily believe there would be more jobs at home were foreign goods shut out by tariff, quota or prohibition. *In the environment of work-scarcity*, the perfectly sound free trade argument that imports cannot displace home labour because we at home are employed in making the exports that pay for the imports, is pushed aside as too abstruse and debatable. And so long as work is scarce, the free trade contention that imports increase wealth and reduce cost of living too often fails to convince; for it is asked in reply, how much of this increased wealth

comes to unemployed men, and what is the use of cheaper living to men with no wage ?

If conditions were secured in which work was no longer regarded as a prize because (all obstructions between the would-be worker and natural resources being removed) it comes to all who have needs to satisfy as naturally and as plentifully as breathing the air of heaven, the outlook on economic questions would radically alter. We would then for the first time see the foreigner who sends us things we want as one who does us a valuable service, and we would laugh at the protectionist who tells us that the foreign manufacturer is taking away our livelihood and robbing us of work.

It is worth while noting how the present artificially produced environment of work scarcity distorts men's views in many other directions. Disarmament is an example. What chance is there of closing arsenals and dockyards, so long as good men are walking the streets ? Would not such action add thousands to their number, it is asked ? The sincerest pacifist shrinks from the prospect. As Sir Benjamin Dawson, Chairman of the Bradford Conservative Association, has well said :—

“ Why is each nation at war economically with the rest of the world ? Because each nation is trying to do something to provide work for its army of unemployed by applying tariffs, quotas and restrictions. If there were no unemployed there would be no need for these barriers. Economic wars would end and there would be a free flow of goods from one country to another.”

Thus does all hinge on the problem of unemployment. It is therefore the bounden duty of all who know the advantages of economic freedom to trace unemployment to its source. They will find it to spring from obstructions placed in the way of access to Nature's workshop. To remove these obstructions and burdens should be the free trader's most congenial task, for it is but his own policy more widely extended. He already demands removal of obstacles to trade : let him go a step further and demand removal of obstacles to production.

But in these days this seems like a voice crying in the wilderness. The present policies of nations are the direct negation of any such notions. State management, control, planning, and crushing taxation of productive enterprise become more and more the order of the day. It is not recognized that most of the difficulties in which industry and commerce find themselves are the direct consequences of government's own action, past and present, and that what we now need is not further legislation to mitigate the effects of prior mistakes, but repeal of the legislation from which the troubles spring. It is because of persistent meddling by government with the legitimate efforts of producers to gain a living that the world is now suffering from poverty amid potential plenty, depressed industry and unemployed millions. The State obstructs by levying taxation on productive industry ; it obstructs by imposing tariff taxes on exchange ; it obstructs by quotas ; it obstructs by exchange restriction ; and above all it obstructs by allowing the community to be robbed of the economic rent of land, the natural fund from which the expenses of government should be drawn.

To reverse all this should be our policy ; to sweep away restriction, to cease interference, to establish equal freedom to produce and to trade and

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then let things take their course. This is the policy of *laissez-faire*, much abused and much misrepresented but none the less the sound policy when properly interpreted. It was originally advocated by those economists known as Physiocrats, led in France by Quesnay and Turgot, and in England influencing Adam Smith, Bentham and John Stuart Mill. These economists strenuously denied that it is the province of the State to meddle in commerce and industry. The best the State can do is to get off the backs of producers. The Physiocrats held that freedom is part of the always beneficent "Rule of Nature," to be interfered with at our peril. They maintained that nearly all the political and economic distresses of their time could be traced to the failure of governments to make their laws harmonize with the natural order. If only let alone, if only allowed to work themselves out in freedom, things would automatically adjust themselves in a way advantageous to the whole community. For commerce all they asked was freedom, wholeheartedly denouncing the then generally accepted "Mercantile System" with all the taxation and control of trade it involved.

The principle of economic liberty was firmly grasped and these men expressed this principle in their maxim *laissez-aller, laissez-faire*, a maxim which since their time has been emasculated and misrepresented because its first two words have been ignored. As Professor Alfred Marshall has pointed out:—

"The phrase is commonly misapplied now. It simply means that everyone should be allowed to make what he likes and as he likes; that all trade should be open to everybody . . . that persons and goods should be allowed to travel freely from one place to another without being subject to tolls and taxes and vexatious restrictions."

If we were at French lessons, never having heard of the economists, and were asked to translate the words "*laissez-aller, laissez-faire*," a perfectly literal rendering would be: "give way and let things be done."

One could apply this in many homely ways. The industrious tenant might say to the landowner: "Kindly step aside and stop levying toll on my earnings; who are you to come between me and the product of my labour?" The town council bent on some municipal development and meeting with difficulty in acquiring the necessary land, might speak in the same way. The working woman taking her family to the "movies," and finding the price of seats raised because of the entertainment tax, might beg the tax collector (virtually standing at the door and depriving her of part of her earnings) to step aside and let her pass in.

The full phrase was never intended to imply, as its critics would have it, that we are to accept without question present conditions which have been brought about by unjust institutions, and let things take their course in the belief that all will come right of itself. It does not imply that sweated labour, unemployment or bad housing conditions are no concern of the State. It means that we must trace these things to the causes that give rise to them, remove those causes and then leave the natural order to take its course.

The duty of the State is therefore to clear the way (*laissez-aller*) by repealing the laws that restrict or penalize production, or maintain privilege; and then respect "the natural order of liberty" (*laissez-faire*) by preventing future interference with the equal right of all men to work for their living.

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“Clear the way and let alone.” “An equal chance for all and no favour to any.”

Thus fully stated the doctrine of *laissez-faire* is supreme, challenging all who declare it to be a policy of merely letting things slide; and thus understood it applies in special degree to private appropriation of the rent of land, which is the greatest of all violations of the principle of equality of opportunity. The State legalizes the private appropriation of rent, which is the community's natural revenue. Finding itself without its natural revenue, it is then forced to commit the second wrong of levying tribute on men's earnings when they embark on trade or industry. Were the full *laissez-aller, laissez-faire* principle applied, the State would cease this wrong and restore to the community the land and its rent, rent that never should have been taken from it. Freedom both in free production and trade would then be attained. This is the *laissez-faire* policy applied to the full. Pull down barriers; let commerce and industry get on in freedom.

In the last resort there are but two roads along which we can travel. Either we may attempt to improve present conditions by State action, arbitrarily controlling, planning and regulating productive activities and piling law upon law to deal with the evils that flow from these restraints; or we may seek to find where our institutions depart from “the Order of Liberty,” bring them into line with that order and leave men free to earn their living in any legitimate way they choose. Of these alternatives the latter is the way of *laissez-faire*. It is the way of those thinkers who first disclosed to mankind ideals which in the end are destined to prevail.

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