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## LAND & LIBERTY

Published by the Land & Liberty Press, Ltd., for the Proprietors, the  
United Committee for the Taxation of Land Values, Ltd.  
Fifty-sixth Year. Established June, 1894.

By Post 5s. per annum.

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APRIL & MAY, 1950

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## THE FREE TRADE ARGUMENT

### A Controversial Correspondence

In the review in our previous issue of the responses given by candidates to the Questionnaire circulated by the United Committee at the General Election, we named a number of Liberals whose attitude to the repeal of protectionist tariffs gave us to say that they were virtually repudiating Free Trade. Those remarks have evoked protesting letters from five of them and we are glad to give space to the further expression of their views.

The set question was:—

Will you press for the repeal of protectionist tariffs and the establishment of Free Trade for British imports, *whatever may be the fiscal policies of other countries?*

The brunt of the question is in the words we have italicised. It is at once a moral question. Protectionist tariffs are an infliction imposed on our own citizens by our own Government for the benefit of special interests within our own country. Who regards tariffs in that light and who, doing so, insists that the cessation of this wrong dare not and shall not wait upon the decision of other governments to cease inflicting the same injustice on the citizens of their countries? That is the acid test. Satisfaction given on that score, it should not be difficult to deal with any of the pretexts put forward for restricting the flow of competitive goods into the hands of consumers. Arguments in favour of delayed action or the gradual abolition of tariff-taxation will also fall into place.

We give the answers that our correspondents made to the question itself and quote from the letters they have written. The emphatic objection made by some to the immediate and complete opening of British ports to the free entry of goods will be noticed. Opinion on how soon or how quickly that free importation should be brought about was not invited by the question but most willingly we grant it admission. It is perfectly relevant and is best met by those who, making such objection, would be content to see the "all at once" placing of pots and pans or other *given* articles on the British free list, provided that by tariff bargaining other countries have agreed to place British bicycles on their free lists. What then becomes of their commiseration for the people who, according to their argument, lose their jobs in the pot and pan making industry?

Mr. DIGBY VANE answered the set question with: "No; unilateral Free Trade is impossible" and his subsequent

letter affirms that: "No one who made any pretence whatsoever to be practical, could possibly ignore the fiscal policies of other countries, when deciding whether or not to press for Free Trade. It would be just like pledging oneself to press for unilateral disarmament, which is manifestly absurd."

Miss F. M. PUGH, Bristol N.W., answered: "I think that we must get back to Free Trade, but that international action is essential" and her letter says: "I do not believe that in the present state of affairs it is possible for us to return to the system by unilateral action. Free Trade must return and in my opinion that can best be done by a reduction of tariff duties by international agreement. It would have unfortunate repercussions if we were to abandon our tariffs overnight. I welcome any Customs union between nations as being steps on the way to World Free Trade."

Mr. T. R. L. FRASER, Govan, answered: "With certain safeguards, yes." The dangers of tax-free unrestricted importation are to be guarded against, as he explains in his letter: "I am not so dogmatic as to demand that we have Free Trade to-morrow, for I realise that under present conditions heavy unemployment and misery would follow and that in these circumstances Free Trade would be a curse to the nation. Is it not much better both for the nation and for Free Trade itself that we should work to establish it on a firm and permanent basis so that it can benefit the consumers in every country?"

Mr. ROY DOUGLAS, Merton & Morden, answered: "As a long-term policy, yes, but multilateral arrangements are to be preferred if possible." His point of view is thus elaborated in his letter: "I make no apology for arguing, that the return to Free Trade must be gradual. A tariff policy assists inefficient industries at the cost of efficient ones, and also the consumer. That, after all, has been the traditional argument of the Free Trader. But the sudden return to Free Trade can only mean that men in the tariff-fostered industries are thrown out of work, while the new and necessary industries are not equipped to meet the foreign demand for their goods, and thereby to absorb the available labour force. The real point is that a *precipitate* return to Free Trade would occasion a great deal of human suffering which a *gradual* but equally complete return would obviate."

Mr. HOWARD FRY, New Forest, answered: "Yes, but only gradually." He also is haunted by the fear of unemployment within the tariff-supported industries when the support is withdrawn—that is to say when the parasitism which he and the others so obviously expose, but yet find grounds to justify, is brought under freedom to an end. Mr. Fry states also, like his fellows, a further reason for retaining tariffs over a period (or indeed lastingly against any country where the process of "extracting reciprocity" does not succeed). He writes: "The immediate abolition of all tariffs, quotas and guaranteed prices would put about a million men and women out of work. A gradual programme of tariff reductions aiming at their abolition within about five years is the sensible solution. The most strenuous attempts should be made during the interval to extract reciprocal reductions from all foreign nations and Commonwealth countries. This reciprocity could bring a great measure of World Free Trade, perhaps even complete World Free Trade. All nations would thus benefit, whilst unilateral action will leave the world largely unaffected although after initial setbacks we should benefit."

Have the writers of these letters exonerated themselves from our charge? We look in vain for any appreciation of the injustice of taxing goods at all, save in Mr. Douglas's remark that tariff policy is "at the cost of the consumer." He has stated the case for the gradual abolition of restrictions as well as perhaps it can be stated. Nevertheless it is wholly fallacious. What neither he nor any of our correspondents seems to realise is that all industries are dependent upon and are linked with one another, so that the raw materials of one is the finished article of the other. Impose a general tariff and there is scarcely an industry that will not be hit by it; lift a general tariff and there is scarcely an industry that will not be benefited, in the reduced cost of what it must buy.

This string of industries is a long and complex one, so that if all industries are to be protected (the target of the protectionists) the tariffs have to be stepped up stage by stage—raw hides, finished hides, tanneries, leather, boots; wool, textiles, blankets, clothes; iron, steel and things made of steel; fats, salts, caustic soda, soap, glycerine; feeding stuffs, agricultural machinery, then subsidised farming; and so on; an inflationary price-rise along the whole line. If, in this state of affairs, the tariff protection was removed from one article while tariffs continued to be levied on its raw materials, the producers affected might well cry out. It is just this which has raised fears at the international "tariff-bargaining" conventions and has broken up every one of them, each interested party refusing to be martyr. Thus futile and foolish is all the talk of the gradual or piece-meal elimination of the barriers, whether it is concerned with softening the blow to the protected beneficiaries and avoiding the unemployment it is alleged would occur, or making square holes in our tariff walls by way of bribing other countries to open round holes in theirs.

No one has yet explained how he would go about this gradual business, what time-limit there shall be for the tariff-robbery to cease, how long the law should continue to enforce taxation upon this, that or the other article. Shall there be a percentage reduction on all articles taken together (which in the nature of the tariff as it stands would be as inept and inequitable as anything imaginable) or shall one proceed by a sort of preferential process, untaxing one set of goods to begin with and selecting other sets of goods, year by year, until all tariffs are abolished? Under either procedure, the mean arts of log-rolling pressure groups would be seen at their worst, their collusion befouling the political atmosphere to defeat any change whatever. Therefore, whatever may have to happen, the deliberate formulation of a policy of gradualness is the gravest of mistakes. No better lever could be placed in the hands of the protectionists. Chancellor Philip Snowden would have none of it. In 1924 he repealed the 33½ per cent. "McKenna Duties" on motor cars, musical instruments, clocks, watches and films. He did this at one stroke, allowing only three months for the clearing of duty-paid stocks. He refused to listen to those who urged that the repeal should proceed by stages and he was justified in his action. The feared unemployment did not happen; on the contrary, the healthy breath of free competition served those industries well. But this Free Trade triumph was short-lived. The Labour-Liberal coalition fell apart in a tragic political quarrel. The Conservatives succeeded to power and at once re-imposed those duties.

Protectionists generally deny that protective customs duties are a tax on consumers, holding that they are borne

by the foreign exporter, and are simply tolls paid for permission to exploit the home market. The same thought emerges in these letters and is the foundation of most of their arguments. Tariffs are looked upon as an asset and a strength not to be rashly relinquished. If Britain, disregarding the obstacles interposed by other countries, were to throw open her ports to the commerce of the world, think (it is said) what would happen. Britain, "disarmed by one-sided Free Trade," would be overwhelmed, impoverished and destroyed by the flood of cheap goods, her workers disemployed and reduced to starvation. With one-sided Free Trade there would be one-way traffic, all imports and no exports to pay for them; the imports coming as a free gift into the hands of goodness knows whom; the worker disemployed and reduced to starvation would be cast adrift with no alternative open for employment that he may by his labour earn a share in this abundance. The idea only needs stating to show its absurdity and the lack of any economic understanding by those who explicitly or implicitly express it. But the idea is held and is uttered in all its bluntness by Mr. Digby Vane, to whom trade is war and a perfect analogy exists between tariffs and armaments. We must prevent the invasion of enemy imports or enforce upon other countries the acceptance of ours. It is conceived that unhampered exports more so than unhampered imports will assure national prosperity and should be the prior object of national policy, using tariffs as weapons of offence and defence.

In the diplomacy at the international conventions already referred to, tariffs are similarly esteemed. It is the song of the protected producers whose influence ever dominates the proceedings. Tariffs fortify and comfort the nations that enjoy them. Plausible and mendacious language is spoken of the "concessions" one country is asked to make in return for the "sacrifices" on the part of another, as of some valuable possession that is handed over. It is protectionist propaganda at its cleverest. Quite deliberately the interests of a privileged section, sheltered behind the tariffs, are confused with the interests of their fellow citizens upon whom they batten. No doubt where a tariff is lowered or abandoned the protected producer can rightly say he has endured a sacrifice. But it is his and his alone, not his country's. On the contrary, his country has gained by being no longer subject to the tax levies that enable him to exact an enhanced price for his wares. The free market deprives him of the power to enrich himself by defrauding others. Yet the deception that the *nation* makes a sacrifice when it rids itself of tariffs still exerts its mischievous influence and even finds its dupes in circles where exposure should be most emphatic.

The advocacy of Customs Unions and other international trade agreements turns attention from the main question, which is the inviolable right of every person to exchange the fruits of his labour with whomsoever he will. Those who play about with tariffs and indirect taxation make no pretence to examine what is just and what is not just in the means used by governments for obtaining public revenues; yet with that, the whole question of the freedom of trade is bound up. They conceive of Unions of countries with no barriers, it is true, between them but with a ring of customs houses all around collecting tariffs, protective as well as revenue tariffs, in the proceeds of which the government of each constituent country will share. But which government now addicted to the enforcement of indirect taxation will

agree with others in that kind of Union, except on condition that it loses no revenue thereby? And which protected industry, with all the powerful influence it can exert in the negotiations, will readily consent to the lowering of tariff rates affecting it? These questions are already answered in the attempts being made to frame the Belgium-Luxembourg-Holland "Benelux" convention, about the success of which considerable nonsense has been written. And they would be answered with very much more force if Great Britain, joining in a Western Europe Union, found itself saddled, for instance, with the tariffs now prevailing in France or Italy, which it would have to impose on its imports from the rest of the world, just as France and Italy would be obliged to do

likewise with the maximum tariffs now operating in Great Britain in favour of its protected interests. Otherwise there would be no such Union.

Our correspondents have not looked deeply into the causes of unemployment wherever it arises. Basically, unemployment has nothing to do with Free Trade or Protection, its roots lying in an unjust system of land tenure and taxation. But we leave that with them and we commend for their further study two publications in particular, namely, *Protection or Free Trade* by Henry George and the illuminating 1949 Conference paper by Mr. Bue Björner, "*Can International Trade Problems be Solved Internationally?*"

A. W. M.

## IN FAVOUR OF LAND VALUE TAXATION AND FREE TRADE?—PERISH THE THOUGHT

### A Conservative Washed Clean

Mr. John McKie, M.P. for Galloway, was one of the two elected Conservative Members of Parliament from whom, or in whose name, the United Committee received the reply "yes" to all the questions (saving Nos. 11 and 12, which were addressed respectively to Labour and Liberal candidates) contained in the Questionnaire issued for the General Election. Mr. McKie was thus reported in our columns and a marked copy of the journal was sent to him. It evoked the following

#### TELEGRAM

"*Land and Liberty*" for March received. I never replied to any questionnaire at last election except from constituency so do not understand your reference to myself. My views regarding questions eight and ten\* in particular are completely opposed to the views which you present. Also my answer to question four\* would have been a complete negative. As I regard the mention of my name in this connection a serious matter I shall be glad if you will explain how this happened and will further give complete explanation in your issue of May. Please wire as soon as possible.—JOHN MCKIE, M.P. for Galloway.

#### REPLY TELEGRAM

*Have your signed reply to our questionnaire giving yes to every question except 11 and 12. Can send you photostat. Can make appointment House of Commons any day to discuss explanation next issue.*

The sequel was the following letter to the Editor received from Mr. Hugh A. McDavid, private secretary to Mr. McKie. It was addressed from the *Galloway News* office, Castle Douglas, April 6:

"Dear Sir—Mr. John McKie, M.P. for Galloway, has drawn my attention to a number of clerical inaccuracies which were made by me in connection with the Questionnaire which was sent out by you at the recent General Election.

"I assisted Mr. McKie at that period with a great deal of his correspondence, and as Mr. McKie disclaims all knowledge or responsibility for having signed the Questionnaire relating to LAND & LIBERTY, I assume that it was done in my office here. It was probably completed by a junior clerk, and of course the affirmative replies given to the various questions do not at all represent Mr. McKie's views in regard to them.

"Mr. McKie has carefully read all the questions now, and he is absolutely opposed to them in toto. It would

be totally against his own personal interests to agree to the repeal of the tariff and the abolition of the De-rating Act, while he would have nothing to do with Land Values. As for Mr. Churchill's expressed views in 1917, Mr. Churchill was then a Liberal, and his utterances then do not interest Mr. McKie one bit now.

"Will you please accept my assurance that in the heat and turmoil of the Election, the Questionnaire was erroneously completed and forwarded to you. For that I accept full and unqualified responsibility and I greatly regret the mistake, as does also Mr. McKie.

"He has shown me your reply telegram to his own to-day, and it was only his deep concern for the error made that impelled him to send it to you.

"Both he and I would be deeply grateful to you if you could kindly insert a disclaimer in the May issue of your publication, coupled with a statement as to how the mistake originated, for I can assure you that Mr. McKie's instructions were quite clear, namely that no questionnaires on anything pertaining to functions outside the constituency of Galloway, which he has represented for the past twenty years, were to be answered or sent off.

"You can make whatever use you care of this apology,

"Yours sincerely,

"HUGH A. McDAVID, Private Secretary."

In doing our duty by Mr. McKie by publishing this disclaimer, we observe the ingenuous reason given for his attachment to Protectionist Tariffs and to the De-rating Act which exempted agricultural land, however valuable, from contribution to local taxation.

The other Conservative Member, reported by us as having given "yes" to all the questions was Mr. E. Martin Smith, M.P. for Grantham. We hope no mistake was made in his case.

\* No. 4. Will you press for the repeal of protectionist tariffs and the establishment of Free Trade, whatever may be the fiscal policies of other countries? No. 8. Will you urge repeal of the Derating Acts by which at present industrial premises pay only one-quarter rates and agricultural land, however valuable, is virtually exempt. Whereas householders, shopkeepers and other occupiers are heavily burdened? No. 10. Are you in sympathy with Mr. Churchill's repeated pronouncements summed up in his statement in Dundee, 1917: "I have made speeches to you by the yard on the Taxation of Land Values and you know what a strong supporter I have always been of that policy"; and does the Conservative Party accept or repudiate those views of its leader which he has never retracted?