

# Free Trade and Honest Money

*Some extracts from Dr. Nathaniel Micklem's radical Presidential Address to the Liberal Party Assembly.*

THE malaise from which as a people we are suffering is a moral or spiritual affliction; but what we need most is not a series of sermons about morals or of political "pep talks"; we need honest book-keeping, an honest budget and a radical policy of freedom and reform.

This radical policy, so far as it concerns our home affairs, might be gathered under the headings of Finance, the Industrial Order and Civil Liberties. None of these aspects of a Liberal policy is more important than any other; indeed my difficulty in speaking of them lies in keeping them apart. Liberal policy, as I see it, is an integrated whole directly deriving from an articulate Liberal philosophy of freedom and moral seriousness.

Both the Conservative and Labour are high Protectionist Parties. I am well aware that Protection cannot be swept away in a day or in a year, but let me give you a signal instance of what Protection means: in 1930, the time of the great depression, Japan was hard hit in her economy. She was making great efforts to restore her position by a large trade in cheap textiles; she could produce so cheaply that her wares were to the great advantage of the very poor inhabitants of the British colonies for whose welfare we have responsibility before God and man. What did we do? Did we express our happiness that these poor folk could buy cheap clothes? Far from it! The Colonial Office by executive action closed the door of trade against Japan and created for the British manufacturers a preferential market, thus artificially and deliberately inflating prices for our colonies in the interests of a British industry. With what result? The deliberate impoverishment of those dependent upon us and, furthermore, a terrible blow to the well-being of Japan with a consequent weakening of the peace-party in that country.

The Japanese aggression against China began in the following year. Such action by our Colonial Office, presumably acting on instructions from the government of the day, was infamous and a complete reversal of the traditional policy of this country. Yes, but this is only a particularly clear instance of what is involved in all protective tariffs. *Their end is always to put someone out of work in the interest of some privileged party; they always work to the disadvantage of the consumer, that is, the general public; they are always a breach of natural justice.*

When the present government announced that we should have to join the European Free Trade Area, it was at once approached by a number of British manufacturers who said that they could not compete with the European market and would be driven out of business. *What did this mean but that in effect they have been living upon doles from the pocket of the public being allowed to make*

*us pay more for our needs than we should have paid in the open market?*

In the interest of the consumer (we are all consumers), and in the interest of public morality it is Liberal policy as soon as possible (though the process must inevitably be gradual) to sweep away all these doles and this gigantic mechanism of Protection. We shall be opposed very naturally by the protected industries; we shall be opposed by a short-sighted Labour Party. Consider, they will say, the unemployment and dislocation of industry that would be caused if we opened our ports and had free trade. The working classes in this country have not forgotten the nightmare of the unemployment in the 1920's. Indeed, it is politically idle for us to advocate Free Trade unless we have also a policy in respect of unemployment. Free Trade presupposes the mobility of labour, and the mobility of labour presupposes occasional and temporary unemployment. . . .

When a worker through no fault of his own is out of work, that should be the concern of all of us. Generous provision can be made to tide him over the difficult days or weeks; a lump sum can be made available for him if he has to shift his home; he can be given official help to find a house when he must move; opportunity can be given him at public expense to be trained or re-trained for the new work he must take up; he can be given the reasonable hope that having lost one job he may find a better. Such expenditure of the public money we can well afford; *what we cannot afford is the present economic nationalism with its tariffs and its bounties and its quotas and its licences and its exchange controls. All these interferences with trade are economically disastrous and morally indefensible.*

This leads me to my next point upon which I would lay the greatest stress though I must touch upon it very briefly. We must free our trade, and to do that we must free our money or, in other words, our currency must first be made stable, then "convertible" and then given a permanent value. This at bottom is not an economic question but a moral issue. Do you not feel shame every time you read upon a pound note that in exchange for this the Bank of England will give a pound sterling? It means nothing at all. You try it! With luck you may be given a clean note for your dirty one, and that is all; and this new piece of paper you may be given is worth less and less from month to month, almost from day to day. . . .

In the old days when golden guineas were in circulation, a man who was caught clipping a bit off the gold was hanged. That is the same crime of which the post-war governments are guilty; they do not hang themselves; they vote themselves higher salaries!

In the old days a bank note could be exchanged on demand for gold. As a matter of convenience to the public the banks were allowed to issue notes to a strictly limited extent beyond the gold they held. This was called a fiduciary issue. Even as late as 1938, when we had been long off the gold standard more than 60 per cent of the note issue was backed by gold.

Today a mere fraction of one per cent of the note issue has gold backing. *The fiduciary issue, while the pound depreciates in value, is a confidence trick on the largest scale.* Meanwhile the government pours out an ever increasing flood of notes. In 1952 the average number of notes in circulation was £1,453 million ;

in 1953 it was £1,531 million ;

in 1954 it was £1,630 million ;

in 1955 it was £1,760 million ;

and in 1956 it was £1,875 million.

It has gone up by 500 millions in the past five years. But because the increase in notes bears no proportion in the increase in real wealth, the value of money goes down and down ; people think they are richer than they were, but it is in fact a public swindle. . . .

There was no balance of payments problems until Exchange Controls were introduced. I am told that the Exchange Control Act contains 17,218 words ; it is amplified by about 600 different instructions to bankers ; at one time there were 40 different exchange rates for sterling quoted in New York ; there are a thousand officials employed by the Bank of England to manage the Exchange Control ; there are great firms that have to employ extra technical staff to deal with the paper work set them by the government. But before this grand carnival, this death-dance, of Exchange Control was set up, international payments were arranged through the commercial banks by what was virtually a self-adjusting mechanism. Even now if Exchange Control and the International Monetary Fund and the European Payments Union were abolished overnight and the whole business swept away and the pound allowed to find its real and proper value in the open market, the commercial banks are quite capable of undertaking once again the management of our international trade.

But the pound must be made stable and convertible. I am not saying that this can be done in the twinkling of an eye, and it cannot be done at all without a radical change in policy and without temporary dislocation of our present industrial system which would involve some temporary unemployment ; but once the pound were convertible, the recovery and freedom would for our prosperity and repute be like the emergence from a stuffy and overheated chamber into the fresh air. . . .

We must free our merchants and our traders. There is today nothing they can import in the way of raw materials and goods without a licence from some official in Whitehall or the Bank of England ; the Government decides at what fictitious rate the pound shall be valued for their transactions. By a stroke of the pen the government can put any importer out of business by refusing

October, 1957

him a licence. Not only is no foreign trade permissible without government licence, but no business can expand by offering new shares at home unless officials at Whitehall have approved. By tariffs, by Exchange Control, by bulk-buying, by quotas, by marketing boards, by licences that can be granted or refused at the discretion of some anonymous official in the Bank of England, the government has a stranglehold upon the nation's trade.

#### C. W. LOVERIDGE, C.B.

We regret to report the death last month, at an advanced age, of Mr. C. W. Loveridge, C.B., a most distinguished member of the British movement who was for many years Hon. President of the English League for the Taxation of Land Values (now the L.V.T. League). A fuller notice will appear in our next issue.

#### MR. AND MRS. JAMES D. BRYANT

With sorrow we have learned of the deaths of two fine people: Mr. and Mrs. James D. Bryant, of Eugene, Oregon. Mrs. C. A. Sutherland writes: 'Shortly before his death (from cancer) I remarked to Jim that I had been rereading the conclusion of *Progress and Poverty*. He said, "That is behind everything I've done all my life." He and his wife had the conviction that people had to be taught tolerance before they would listen to new truths, and so they organised community clubs, one of the rules being that there should be something educational at each meeting and all should listen respectfully. Jim, though well educated, felt that all should work with their hands. He was for a while a blacksmith, and then a farmer. Then for fifteen years they were hosts at a religious house on the campus of the University of Oregon. Students and faculty, people of all faiths, frequented their house. They have since scattered all over the world but to the end kept in touch with "Aunt Alchie and Uncle Jim." These last years friends helped them to organise Friendly House—completely independent of any sectarian group—where meetings of various kinds were held and people dropped in just to talk, always knowing that they would get sympathetic hearings, kindness and honest opinions. Alchie died on May 31 (aged 74) and Jim followed on July 10 (aged 76). The local newspaper, in an editorial, commented: "Jim, gentle philosopher, former blacksmith, old single-taxer, loved ideas, discussion and a healthy amount of disagreement. His penetrating question, his soothing of ruffled feathers at just the right time, were as much part of Friendly House as Aunt Alchie's coffee. Now that both are gone, the question will be asked, 'What will become of Friendly House?' Can there be a Friendly House without the Bryants? To answer that question we have but to quote Jim who said many times: 'Friendly House is not just a place ; it's an idea.'"

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