

A Liberal on Free Trade Areas

As I See It

By OLIVER SMEDLEY

IN view of the current negotiations for an outer Free Trade area in Europe we asked Mr. Oliver Smedley for his comments on the present situation. He replied that he had re-read the article he contributed to the 'City Press' newspaper in August 1957, which we republish below, and found that what he wrote then appeared to be perfectly applicable to what was happening today.

"What is not fully appreciated today," Mr. Smedley says, "is that Free Trade is not something to bargain about but something to do. Furthermore, it has to be done every day of the week. It is not a theoretical argument about what happened a hundred years ago but a practical argument that is happening every day. In the past week or so the Free Trade Union and the Cheap Food League have submitted representations to the Board of Trade against increased import duties on Monosodium Glutamate and Tartaric Acid. An increase in the import duty on pearled barley from 3/6d. per cwt. to 12/- per cwt. has been imposed. Applications, supported by the F.T.U. and C.F.L., have been submitted for the removal of import duties on Liquefied Herrings (a Danish import used in the manufacture of animal feeding stuffs) and Spearmint Oil. The Farmers' and Smallholders' Association has submitted an application for the removal of import duty on sulphate of ammonia, an ingredient of nitrogenous fertilisers. This is not theory, it is practice. And it may well be that from the practical day-to-day contest for more or less protectionism will flow the realisation among businessmen and bureaucrats alike that the whole philosophy of protectionism is narrow, misguided and out-of-date."

"Free Trade is impossible without sound money," says Mr. Smedley, "and sound money is impossible without Free Trade. If Britain wants either she will have to do it without reference to the Governments of other countries or the woolly technicalities of the tax-free employees of international organisations. The adoption by soi-disant free-traders of the idea of reciprocity is really rather depressing.

"It was always the view of protectionists that we had to have tariffs in order to persuade others to remove theirs. But Free Traders have always said that British consumers should not be taxed in order to benefit sectional interests. For the life of me, I cannot see how the traditional case for Free Trade has been weakened by the latest developments. Britain is unique in every way. It is not to be compared with any other economy in the world. Whatever other countries in Europe or elsewhere may decide to do there is only one way in which our own fifty-two million inhabitants may survive and prosper and that is by going forward as rapidly as practicable to complete Free Trade and a freely convertible pound.

Mr. Oliver Smedley is chairman of the Executive of the Free Trade Union, and chairman of both the Cheap Food League and the National Council for the Reduction of Taxation.

"A Free Trade Area may look all right if you're inside it, but it looks all wrong if you're not. So far as the rest of the world is concerned, and particularly the so-called under-developed countries, we in Britain cannot afford to look all wrong."

This is the article which Mr. Smedley wrote for the "City Press" two years ago

1. THE integration of Europe could be liberal but could be otherwise. There is nothing essentially liberal in the idea itself. Julius Caesar, Charlemagne, Napoleon, Bismarck, Hitler all had the idea. None of them would be described as outstandingly liberal in his outlook.

2. It is necessary to have a look at the ancestry of the scheme. In the Spaak report it is clearly stated that the driving idea is fear of Europe's being in some way squeezed out of existence between the great American and Russian Empires. The purpose is to get Europe in a position to discriminate against those who are outside Europe. Discrimination deriving from fear is not the best background for liberal achievements.

3. The idea of the Common Market is that by extending the potential domestic market by a process of taking in each other's washing, Europe may be enabled to set up much larger industrial plants than is at present possible, concentrate production in fewer centres and thereby achieve greater efficiency. Two questions need to be asked:

(a) Is the concentration of industries in fewer centres likely to devolve economic power or to concentrate it still further?

(b) May not the claim that greater efficiency would accrue from larger scale production be merely an attempt to whitewash the present inefficiency of highly protected industries?

There would appear to be nothing in large-scale production per se to commend itself to liberals, rather the reverse.

4. Some liberals think that national bureaucracies already wield too much power over their subject peoples. The political integration of European countries through the Common Market treaties and Free Trade area would inevitably lead to a proliferation of international authorities and to the creation of a vast international bureaucracy which would be even better protected from individuals than are existing national bureaucracies. It is permissible to wonder whether such an international bureaucracy, once dug in, might not be harder to remove even than Hitler, particularly if its establishment came about through apparently democratic processes.

5. The attempts that must be made under the treaty to harmonise social benefits, holidays, equal pay, etc., must surely result in a levelling up to the highest level obtaining, as it is unthinkable that national trade union movements would be prepared to give up ground they have already won.

Furthermore, it would seem necessary to have an internationalisation not only of the bureaucracy but also of trade unions, which might not suit the ideas and ambitions of existing national trade union leaders. It is difficult to see how the Common Market plan can fail to lead towards bureaucratic international socialism and away from liberalism. European Free Trade is no more a liberal concept than was Lord Beaverbrook's fundamentally protectionist propaganda and therefore must inevitably lead towards socialism.

6. It follows from the proposition that European producers will have larger markets, that non-European producers will tend to have a smaller proportionate share of European trade. This will inevitably lead to counter-discrimination by such countries as Japan and America and other countries who are striving to develop their own industries to prevent themselves from continuing to be under-developed. It is not a liberal idea to pursue policies which may result in the stifling of economic growth and expansion or to a reduction in world trade that would certainly be greater than the increase of intra-European trade.

7. It is not proposed to discuss the technical differences

between the Common Market and the British Government's Free Trade Area proposals nor the problem arising from the exclusion of agricultural produce, the formation of a European investment fund, the very controversial currency questions that arise and the many technical problems involved, but merely to express doubts whether the overall approach bears any resemblance to true liberalism at all and to wonder whether the alternative course may not in the long run be a far safer one to pursue. This is for liberals to continue to press within their own countries for the drawing back of power from the centre to the individual, for the removal by their own respective governments of currency restrictions, tariff barriers, quota schemes and other forms of import controls.

After all, the Common Market plan is due to take 12 to 15 years to implement. Would not really determined campaigns by liberals within their own countries have a good chance of success within a shorter period?

There is a deep conviction in many minds that liberalism which requires the setting up of authoritarian supranational institutions in order to enforce it cannot really be liberalism at all.

Opportunity Knocks In California And Michigan

A BLUEPRINT to make California a taxpayers' paradise was introduced to the State Legislature on May 4 by Assemblyman Vernon Kilpatrick. Entitled Assembly Bill No. 2866, it would add a new section (2154) to the Revenue and Taxation Code to provide that the tax rate on real property improvements and on personal property shall be decreased 10 per cent per year for a period of 10 years, so that thereafter such property will, in effect, be exempt from taxation.

The Bill has been referred to the Committee on Revenue and Taxation.

Mr. Kilpatrick also introduced on May 4 an Assembly Constitutional Amendment (No. 56) to authorise the California Legislature to invest in a county, city and county, city or district the power to exempt all improvements to real property and personal property from taxation and to limit the rate of taxation thereon.

The proposal is being examined by the Committee on Constitutional Amendments.

California would be the most free, prosperous and progressive state in the world if Mr. Kilpatrick's two proposals were adopted. They serve as models for enlightened legislators in other States to copy. Even if they are not implemented, they will help to win new friends for radical reform on libertarian lines and in that way will bring closer the day when those who produce wealth are left unmolested to enjoy the full value of their efforts.

WITH its coffers empty and unemployment rife (L&L June), Michigan should grasp with both hands the

Land-Value Tax Bill presented to the House of Representatives on April 24 by Representative S. James Clarkson. The text is given in full below.

Instead, legislators are continuing to give their efforts either to advocating or to resisting a number of proposals for further wrong taxation. Fifteen were given in brief outline in the Detroit News, May 17, a copy of which is before us. Democrats have come forward with various schemes for a state income tax while Republicans favour increased sales taxation. In both parties there are some dissenters. Some legislators argue for a personal income tax at a flat rate; others want it graduated. Some look to an income tax on corporation income.

Among those who see salvation in the sales tax, some would increase the rate at which it is applied from 3 per cent to 4 per cent; others would impose it on federal purchases and construction contracts, and others, juggling with what the Detroit News calls "political dynamite", daringly call for the repeal of the exemption from sale tax at present accorded to industrial processing and agricultural production.

Other proposals include one for a 1 per cent wholesaler's tax, and one for a "compromise" combination of an increased sales tax and a flat-rate 5 per cent tax on corporation net income.

In such a melée, with legislators intent on finding some means of taking wealth from those who produce it, the outlook is not bright for a measure which would merely divert into the State exchequer some part of the rental value