

Fairy Stories for the Kiddies

ROY DOUGLAS

TWO AND TWO have an irritating propensity to go on making four, whether we or the Government or anybody else happens to like it or not. That, above all, is the message contained in a remarkable and exceedingly useful fifteen page booklet recently published*. There have been few documents in recent years which have blasted asunder the cosy myths of Protectionists more effectively than this striking little pamphlet. It doesn't just give theoretical arguments; it gives the facts and figures which we all need. As the textile industry has been the subject of special pleading for protection over a great many years, it is peculiarly appropriate that this particular industry has been the subject of special study.

Exploded Myth No. 1. "Protection is a useful device to help an industry which is potentially strong, but suffering from temporary difficulties." For this reason textiles secured protection in the late 1940's and early 1950's. The industry squealed for protection in order to get itself reorganised. It got protection. Profits, naturally, shot up. Were they ploughed back into the industry, or promptly dispersed as dividends? Guess!

Exploded Myth No. 2. "Economic controls are of value to help poor countries." So far from being used to help poor countries, protection in the textile industry has been worked as a vicious system of discrimination to keep out the products of poor and developing countries, whether within the Commonwealth or outside it.

Exploded Myth No. 3. "Protection prevents unemployment" (or, as they used to put it in 1903, "Tariff Reform means work for all"). In spite (or because?) of all the Government's efforts, the number of jobs in textiles has declined by about two-thirds in the past twenty years. Yet until very recent

* *Textiles—a Protection Racket*, by Peter Kenyon. Published by the World Development Movement, 20p.

tly unemployment has not been noticeably high in the textile areas. Why? Other jobs were available.

Exploded Myth No. 4. "Strong government (that is, active and interfering government) is the people's defence against powerful corporations." The Textile Industry Support Campaign has successfully twisted the Government's arm, forcing them to apply quotas which have not only harmed the developing countries, but harmed the consumer as well. When it comes to the crunch, the "stronger" a govern-

ment is, the more likely it is to submit to pressures of that kind.

Such examples should be studied



and used, not just as generalisations, but to provide actual examples to be used as powder and shot in the free trade campaign. Economic libertarians will do a great deal of good to their cause if they acquire this booklet, and use some of its arguments in letters and articles for the Press, both local and national.

The Ailing Dodo that was Pronounced in Perfect Health

MICHAEL TURNER

The greatest mistake that can be made in economic investigations is to fix attention on mere appearance and so fail to perceive the fundamental difference between things whose externals alone are similar, or to discriminate between fundamentally similar things whose externals alone are different.

Ludwig von Mises

(Theory of Money and Credit)

TOM PAINE, in his *Rights of Man*, upbraided an earlier commentator on the Common Market scene for pitying the plumage, but forgetting the dying bird.

A similar thought came into my mind when I was invited to attend a lecture held in the City on London's Commodity Markets. Whatever progress the Commodity Markets may have appeared to make, their survival in London is now an historic irrelevance, a wan shadow of the predominance they reached, and no-one in their senses would venture to establish a new one in London today, yet there were several references to "the ever-growing flow of trade"; and none at all to the rise of protectionism.

The "discontinuities" of two

world wars had apparently hampered the re-exports trade, but the only mention of Free Trade as a policy was an oblique reference to the flourishing condition of the Liverpool wheat and cotton futures market in the era before 1914. This analysis did not appear to avoid the pitfall indicated by Professor von Mises at the head of this article.

Who in 1973 would associate London with a free market, either in capital, or in commodities?

The very name market implies freedom - to come and go without let or hindrance and, if profitable, to accept the world's surpluses and re-export them. So much have we deceived ourselves on the nature of a free market that the official monthly "yellow book," or "trade and navigation" as it used to be called now admits that re-exports are so small as no longer to be worthwhile recording separately.

Accept the world's surpluses? Good heavens, the bristling and brindling is almost audible. Just think of the weight of opposition to a free market today, the great vested interests supported by an illiberal press and an irrational parlia-

ment and anti-dumping regulations, where the Department of Trade and Industry (shades of Orwell's Ministry of Peace, which made war) makes orders on evidence heard in secret.

This I fear is the reality behind the "ever growing flow of trade," the dying dodo that all the doctors thought was in so flourishing a con-

dition. Is not the Thames now visibly empty? Warehouses into pubs; docks into flats. Our academics tell us nothing on the horizon impedes further progress, and I can only pity our deluded country and selfless people, who could be the envy of Europe under better read leadership instead of just an appendage to it.

Miscellany

The Infant Who Didn't Howl

It is often argued that "infant industries" need protection. An infant industry, initially uneconomic, but which eventually succeeded without government assistance, was the US polyester fibre industry. The following account is taken from Business in Brief, Chase Manhattan Bank, New York.

THE basic patent on polyester fibre was issued in 1941. While it was recognised as a superior textile material some of the ingredients used in its preparation were not available at a commercially feasible price. After the war, the price of these ingredients began to fall. By 1954, US polyester production totalled about 10 million pounds annually at a price of about \$1.75 per pound. From 1954-1960, volume rose steadily to 75 million pounds while the price fell to around \$1.25.

Then an important new market opened up. A small garment maker found that clothes made from a blend of cotton and polyester could be chemically set or stabilized so that they require little or no ironing after laundering. The permanent press revolution had begun! Within three years, polyester production more than doubled to about 167 million pounds. The price dropped to around 90 cents a pound.

In 1965 polyester fibre found another huge market - the tyre cord business. Polyester cord, which

greatly improves tyre performance, was so successful that within five years it had become a major tyre reinforcement material. Today more than 85 per cent of all original equipment tyres produced in the US contain some polyester cord.

Sudden consumer acceptance of knit fabrics created still another huge market, this time for polyester yarn. Polyester yarn shipments increased 80 per cent between 1969 and 1971. In total, more than 1,700 million pounds of polyester materials are now produced annually; prices have fallen to as low as 35

Play the Game Sir!

COMPLAINTS to General Agreement on Tariffs and Trade (GATT) have been made by the US alleging British violation of GATT rules to lower trade barriers, says a recent press report.

Quotas begun twelve years ago by Britain to reserve a share of its market for the Commonwealth include bananas, rum and cigars.

The US claim that their exporters stand to lose \$20 million of business in 1973 as a result of the quotas.

Every schoolboy knows (or has probably been taught) that trade concerns only the interests of exporters in one country versus the home producers in the other. Banana eating, rum drinking and cigar smoking consumers should keep out of the way and mind their own business.

AMAZING!

"AN extensive Departmental study of the play needs of children has shown that playspace is needed at all densities, and that adequate space and equipment are of fundamental importance." - Dept. of the Environment Circular.

Payment for Chains

ACCORDING to estimates given in the public expenditure White Paper published last year the net cost to the Exchequer of Britain's membership of the Common Market will rise from £40 million in the current financial year to £195 million in 1976-77.

These figures do not take account of new policies, such as regional aid, which are to be introduced by agreement within the five-year period.

The latest estimates for Britain's contributions to and receipts from the Community Budget are given as:

Year	Gross Contrib £M	Net Receipts £M	Contrib £M
1972-73	30	10	20
1973-74	135	70	65
1974-75	180	80	100
1975-76	230	85	145
1976-77	285	90	195

These payments are based on the terms of accession approved by Parliament, under which Britain contributes about 8.75 per cent of Community expenditure in 1973, rising to about 19 per cent in 1977. In addition, there will be:

A once-for-all contribution of £37.5 million to the capital of the European Investment Bank and £20 million to its reserves both payable in five equal instalments by mid-1975.

A once-for-all investment of £24 million in the reserve funds of the European Coal and Steel Community, payable in three equal yearly instalments by the end of 1975.