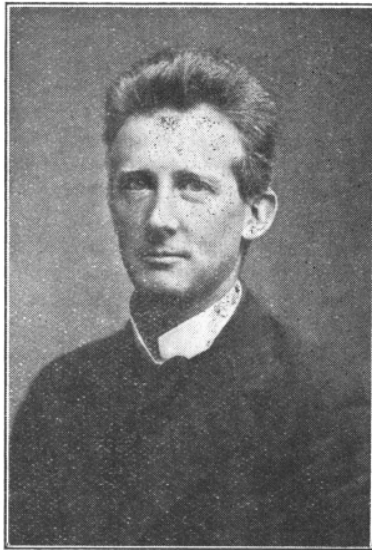


FREE TRADE

Address by Anders Vedel

(At the Copenhagen Conference, Session 22nd July; reprinted from his own English manuscript)



ANDERS VEDEL

The object of this conference is to promote not only Land Value Taxation but also *Free Trade*, and rightly so: Free Trade is an indispensable part of the land value taxation policy, and even more, it takes us to the very root of the philosophy of Henry George, as it may be seen in that brilliant book of his, PROTECTION OR FREE TRADE. He follows his line of argument back to the moral law, that we should do unto others as we would have them to do to us, and explains that through Free Trade we help to yield obedience to this law in the social and economic life.

What Henry George has done as a political economist in this matter is to put the Free Trade argument on the one solid foundation. He has explained the real weakness of Free Trade, has gone to the root of the whole matter and shown us that the remedy lies in relating Free Trade and Land Value Taxation. In order to have real Free Trade you must have not only no Customs barriers, but Free Trade in land, no land monopoly, no monopolization of the riches of the earth to the sole benefit of any man, any class of men or any nation.

But it is not necessary to explain the Henry George theory of Free Trade to this assembly. I therefore intend to take you down the hill, down in the shadow of the present day; perhaps I may be able in conclusion to take you one or two steps upwards again.

The time after the war has been a great disappointment to all friends of Free Trade. The years before the war were a time of what was considered rather high Protection in most countries. The war has sometimes been regarded as a result of the economic wars of the previous twenty or thirty years; and it was hoped by many, that after the war things might be altered and Free Trade be brought into vogue again as the great helper towards international co-operation and peace.

In Germany the well-known Liberal politician, Fr. NAUMANN, brought forward (in 1915) the idea of dividing the world into some few large units of protection—a further evolution of Joseph Chamberlain's fiscal policy as regards the British Empire. The title of his book was MITTELEUROPA, or Middle Europe. His idea was that while the war had shown Germany to be too small

an economic unit the whole of Middle Europe, from Norway to Turkey and Greece, all colonies included, might be a large enough one. When trying to persuade Austria to give up its customs barriers and come within his proposed Customs union, Naumann used Free Trade arguments; but when on his real aim, he used arguments in favour of Protection.

The Allies opposed to Germany came together in June, 1916, to the famous Paris conference, whose purpose it was to draw up the lines and arrange the beginning of a close economic co-operation between the Allies during and after the war, with strict exclusion of their enemies, in order to face them with an economic bloc and thus defeat them, if not by the war, then at least after the war.

But Free Traders raised their protest, and President Wilson gave voice to most of their wishes. He was listened to more than any other man, and very much confidence was placed in him, when he declared, in the third of his famous fourteen points, that one of the necessary conditions of a good and lasting peace was *the removal as far as possible of all economic barriers and establishment of terms of equality in commerce among all nations adhering to peace and associated to maintain it.*"

But, alas, President Wilson was not able to carry this important point through all the entanglements of the Versailles Treaty. The economic conditions of the different peace treaties are far from being governed by it, and even the League of Nations' covenant, through which a more lasting future should reveal itself, contains only a weakened declaration of the same idea, when it says, §23, e, that the members of the League "*will make provision to secure and maintain freedom of communications and of transit and equitable treatment for the commerce of all members of the League.*"

Neither the members of the League nor other nations have, however, been able to work up to these words of the covenant.

There was an indication of what was about to happen in the warning words of the international financial conference at Brussels, 1920, when it demanded the restoration of "*at least that degree of freedom of trade which existed before the war.*"

And as for a picture of the reality, which has come out of it, I might perhaps refer to some lines of the report on the economic situation of Austria, issued 1925 by the League of Nations, quoting Layton and Rist, p. 25:—

"The close of the war witnessed a great revival of protectionist sentiment in Europe. The arguments usually urged in favour of this policy—such as inequality in the cost of production, the maintenance in the workers' standard of living, protection for infant industries, etc.—were reinforced in 1919 by a number of new arguments, based upon the abnormal conditions in which Europe found herself. Greatly reduced purchasing power, disordered currencies and fluctuating exchanges, uncertainty as to the new direction of trade or the probable force of international competition, all served as an excuse for protecting national industries with the object of warding off the menace of unemployment. In pursuance of this policy the most vigorous restrictions were imposed

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upon trade and were supplemented by obstacles placed in the way of the free movement of labour and capital."

And further :—

"Post-war commercial policy has largely been based upon the idea of economic self-sufficiency, and has sought to make the new national units independent not merely in the political, but also in the economic sphere."

I think we must admit this to be the truth, very moderately spoken. And as for the effects of the prohibitions and tariffs, I might again quote this League of Nations' report. There has been, it says, in the old Austrian Empire, since the war, a misdirection of capital, which it describes in this way :—

"Many new industries have been created with the help of tariffs, with the sole object of replacing undertakings, which already exist in neighbouring countries. Before the war a characteristic example of the specialization of industry was presented by the spinning and weaving factories in Czecho-Slovakia and Austria. Most of the woollen and cotton-spinning mills were established in Austria; the weaving mills in Czecho-Slovakia. Since the war Austria has established 5,000 looms in order to avoid the necessity of having her yarn woven in Czecho-Slovakia.

"In the same way Hungary has more than doubled both her spinning and weaving capacity. Czecho-Slovakia, although equipped for this manufacture, has naturally had to reduce her own production.

"Another example is that of the Hungarian flour mills, which before the war were able to turn out about 20 millions of metric quintals. In 1924 they produced no more than 6½ millions, owing to the steps taken by the other States to mill their corn for themselves.

"The oil industry is another interesting case. The old undertakings, which were situated in Austria, supplied the whole monarchy. After the dismemberment of the old empire, the firms concerned established fresh factories in several countries in order to preserve their markets. The result is that to-day five or six factories supply what was formerly produced by three or four.

"The chemical trade is one among many others from which further illustrations of the same kind could be drawn. In all these cases capital has been expended in increasing the plant capacity of Central Europe, though the total demand remains the same or is actually diminished."

And there has been a reduction of foreign trade. The second effect of the tariffs, says the report, namely the diminution of international trade, is still more striking. This reduction has occurred both in the trade of the Danubian States with one another and in that with former foreign countries. In both cases the trade figures are far below the pre-war level."

That this reduction is really due to the high tariff walls can also be shown in this way, that "there has been a marked tendency of trade to expand, when the restrictions are relaxed" (Report, p. 29).

And when we look round the world and see in country after country an immense and almost everlasting amount of unemployment or "bad times" in most of the manufacturing and other industries, although the world is in very bad need of the things these very industries produce, how can we then resist the conclusion that this state of affairs to a large extent is due to the high tariff walls and the other impediments to free trade?

And this deplorable state of affairs seems so very difficult to overcome. Take a country with a low and lowering currency, and you will hear the argument put

forward, that prohibitions and restrictions of trade are necessary in order to check the fall of the currency and take measures against the country being bought out. And when the exchange is high, the home products must be protected against the ruinous competition of countries with a depreciated currency and the country be guarded against unemployment.

We have heard both of these arguments used during the last year and a half here in Denmark, because our currency during that time has risen from 70 per cent to 98 per cent of its par value.

I am glad to say that the Danish Labour Government has withstood all these protectionist voices so far, and we may still hope that our present economic crisis, due to the rapid rise of the currency, may be overcome without any further increase of our protective duties. This ought the more to be so, because three of our four political parties believe in Free Trade, at least in principle, and the Danish peasantry has gone through its previous rather heavy economic crisis about forty years ago and worked itself forward to its present comparatively high productive capacity under the flag of Free Trade.

In spite of that it has not been possible even in Denmark to come forward along the Free Trade line for many years. Agriculture lives under Free Trade conditions. But many manufacturing industries are more or less protected by import duties, and we are told that during present conditions in Europe last, it will be impossible to get Free Trade reform.

Is it not possible then to find real hopeful signs anywhere? I would not say so, but in looking for a sign one might turn to that new instrument for international co-operation and peace, the League of Nations. Perhaps some small amount of hope may be sought in that quarter.

Of course the League of Nations is not a Free Trade assembly, composed as it is of governments which pursue a more or less protective policy; on the other hand a certain leaning towards Free Trade may be found working itself out through its organs and some of its leading personalities. No doubt, this fact depends upon it being the duty of the League of Nations to work towards peace among the nations; and Free Trade is the policy of economic peace, whereas tariffs and prohibitions are an expression of or work towards a state of economic war.

You will find this tendency at work in some of the technical organizations of the League.

Take, for instance, the advice of the finance committee regarding the reconstruction of Hungary, approved by the Council (Sec. 23). You read in this document :—

"So far as Hungary develops a policy of producing (by artificial aids) for her own consumption those goods, for the production of which she has no natural advantages, she must necessarily make it more difficult for herself to dispose of the surplus of what she can produce better and more cheaply than her neighbours and with greater advantage to herself.

"We think it essential, that all direct impediments to export: prohibitions, taxes on export and the maintenance of an artificial rate of exchange through the 'Devisen centrale,' which operates as an extra tax on export, should at once be abolished.

"As regards imports we advise a rapid reduction of restrictions and prohibitions inspired by the above principles and designed to facilitate commercial agreements which will aid export."

Or take the report, mentioned above, on the reconstruction of Austria. It points to the lowering of customs barriers and the development of trade, which

would follow, as one of the best means to relieve unemployment. It says that "the main cause of Austria's present troubles lies in the difficulty of her commercial relations with her neighbours." And it points out that a solution of that question cannot be found inside the boundaries of Austria alone. "It is, in fact, a European question."

I might also mention an interesting speech by Sir HENRY STRAKOSCH, member of the finance committee and representing the South African Union of the League 1924. His argument went a long way towards free Trade, when he said in a debate on the financial reconstruction of Hungary:—

"Much remains to be done. The production must be considerably intensified, if the world is going to enjoy that degree of prosperity on which it justly reckons. And how easy that would be to attain! Have not we at our disposal all those marvellous methods of intensive production, which have become our through the progress of the sciences. What is needed is only to apply them in a logical way to the economic organization of our days. This organization has as its foundation a large division of the international labour and a free exchange of commodities and services. . . . And this requires the most complete international co-operation; I shall not fail to insist upon it every time an occasion arises."

During the assembly of 1924 a very cautious step forward was proposed by Italy, namely, the abolition of all trade prohibitions and restrictions. Although some States felt it necessary to stand by their "vital interests," it was quite astonishing to notice the common approval which met the proposition from a large number of countries, including England, Japan, Holland, Sweden, On that occasion Mr. Jouhaux, at once representative of France and of the international labour world, also spoke. He never gets tired of emphasizing the necessity of economic peace, as when he said, also in the League of Nations, but at another meeting, September, 1924: "We cannot have true peace in the political sphere as long as we practice methods of fighting in the economic sphere," and pointed to Wilson's words in number 3 of his fourteen points as the way forward to economic peace.

In 1925 a further step forward was taken at the instigation of France, through its great industrialist, M. LOUCHEUR. He proposed to constitute a preparatory committee, which should pave the way for an international economic conference, and the resolution, through which his proposition was unanimously adopted, uses the following arguments for it:—

"The assembly, firmly resolved to seek all possible means of establishing peace throughout the world, convinced that economic peace will largely contribute to security among the nations, persuaded of the necessity of investigating the economic difficulties which stand in the way of the revival of general prosperity and of ascertaining the best means of overcoming these difficulties and of preventing disputes, invites the Council to consider the expediency of constituting a preparatory committee, etc."

Mr. Loucheur is very likely not a Free Trader himself, and his thoughts of what the coming conference should accomplish go more on the line of economic order than economic freedom, but his arguments went very keenly against high tariffs and economic antagonisms. He pointed out that one of the main reasons for wars was the economic struggle between different countries, and later on he emphasized that this assertion of his had not been contradicted. He described the rising tide of new economic difficulties in this way:—

"At the very time, when great efforts were being

made here to attain international co-ordination, a drastic policy of economic nationalism is being pursued in every country, with the paradoxical result, that at the very moment when we at Geneva were leaving no stone unturned to promote the security of the world there was in our own countries, in mine as well as in yours, a manifest desire to bar imports as far as possible and live under a sort of self-contained industrial system, which may I think lead to very serious trouble in the future."

M. Loucheur got his proposition carried unanimously, and they are at present trying to make advance on that line in Geneva.

The first condition for getting a sickness healed is to see it. At the League of Nations they see the economic sickness of the world and believe that it can be healed. And therefore one of the places where good work to promote Free Trade can be done is at Geneva.

If we then believe that Free Trade is a real instrument of peace among the nations, the only real helpful economic policy; if we further believe in Free Trade in the full sense of the term, including freedom to produce, which means no right for any man, class of men or nation to monopolize the riches of the earth; and if we further believe that people to be best situated economically, which lives under Free Trade even in times of Protection, then I think we should ask our representatives on the League of Nations to do all they can to promote Free Trade through that important body, big nations and small nations as well. I wish the representatives of my own little country would work a little keener on this point than they seem to do at present: small nations have the right and duty as members of the League to speak the truth. They ought to use that opportunity for the benefit of mankind; in the long run truth cannot be kept down.

But first of all we should try to promote Free Trade inside our own country and ask our politicians to work up to their own best convictions: the good example of any single country speaks of course louder than many words.

Free Trade means justice, means full possibility for the good qualities of mankind to evolve themselves; it is worth working for. Let us do so, and its tide will rise again. We have a Danish sailor's proverb, saying: "He who waits, catches the wind." Those who see the truth, can wait for it, and at last it will carry the day.

FROM THE GREETINGS TO THE INTERNATIONAL CONFERENCE

BUENOS AYRES. From the Argentine Single Tax League: "The ordinary assembly of the Argentine League, held on 20th June, has unanimously resolved to express its greetings to the Third International Conference to Promote the Taxation of Land Values and Free Trade, with the keenest wishes for the success of its deliberations, which are to constitute a valuable and effective factor for the progress of the Georgeist creed in every part of the World. Not being able, on account of the distance, to send a special delegate, the League resolved to submit to the consideration of the Conference the following request:—

'For the Third Conference at Copenhagen to send a message to the League of Nations at Geneva proposing absolute Free Trade between all the nations, according to the principles of Henry George, as the most effective means to secure universal peace.'

(This welcome message echoed the dominant note of the President's opening address and came to endorse what was in the minds of all. The Address to the League of Nations carried by unanimous resolution is on record.)