

Nothing to fear from free trade

Geoffrey Lee investigates the natural injustice of trade tariffs and tells how an evening debate in Sacramento changed Henry George from a protectionist to an ardent believer in free trade

TRADE FOLLOWS from the natural tendency of people to cooperate for mutual advantage. Henry George considered it a vital civilising force for good. It is embodied in the idea of 'comparative advantage'. Some people and places are better suited to the production of certain goods than others. Taxes, tariffs, prohibitions, quotas, subsidies, money market operations and international money transfers, reflecting tributes rather than trades, all contribute to the confusions that surround sensible discussion about the merits of 'Free Trade'. Comparative advantage between places can change over time. For example, we once imported oranges from Spain and exported cars in return. Today we still cannot grow oranges but Spain can manufacture cars as well as we can.

Although the European Union has so called free trade within its boundaries, it has substantial import duties levied on goods coming in from outside the EU. Collecting these tariffs requires the employment of some 24,000 people. Where there are no tariffs (on some foods, for example) we subsidise landowners under the Common Agriculture Policy (CAP). Initially set up to make Europe self-sufficient in food, it costs €58 billion a year and created butter mountains and wine lakes. The EU then came up with the brilliant idea to stop this happening by paying farmers to grow nothing at all—the infamous set-aside. The farmers set-aside their worst land and grow as much as possible on the fertile bits. The result of this scheme is to impoverish Third World countries who cannot sell their food to Europe because of the EU subsidies.

Public pressure on importers has seen the creation of what is called Fair Trade with higher prices being paid for coffee, for example. One suspects that the landowners in these countries benefit greatly and the workers very little. The distortions caused by subsidies and tariffs mean that taxes rise and trade declines.

Henry George in *Protection or Free Trade* said: "Protection implies prevention. To protect is to preserve or defend. What is it that protection by tariffs prevents? It is trade."

George had originally been in favour of protection but as he explained he changed his mind in one night.

"One night in Sacramento I went with a friend to a debating society and there heard

a young fellow of great ability, William H. Mills, the present Land Agent of the Central Pacific Railroad, deliver a speech in favour of protection. I was a protectionist when he began, but when he got through I was a free trader. When they asked what I thought of it I told them that if what he said was true, it seemed to me that the country that was hardest to get at must be the best country to live in; and that, instead of merely putting duties on things brought from abroad, we ought to put them on things brought from anywhere, and that fires and wars and impediments to trade and navigation were the very best things to levy on commerce."

Mr Mills remembered "with reasonable distinctness the incident referred to by Henry George...

"As one of the speakers of the evening, Henry George controverted the doctrine that nationalism was the goal of civilisation, pleading for a broad cosmopolitanism. He contended that national policies should interpose no barrier to harmonious relations between nations of the earth; that if the doctrine enunciated to sustain a policy of high protection were true, absolute national isolation would be the condition best calculated to promote national development; that as relative evolutionary forces, the policy of protection created antagonism between the nations, isolated them, augmented their selfishness, intensified the military spirit, and made standing armies and vast navies necessary to the peace of the world; while free trade, as an evolutionary force, made nations dependent, promoted peace among them and urged humanity on towards a higher plane of universal fraternity.

In conversation with Mr. George since then, he said to me that while he went to the Lyceum meeting a protectionist, he left a free trader, because protection was defensible only upon the theory that the separation of mankind into nations implied their industrial and commercial antagonism."

"True trade (in goods only) would be self-balancing. You buy goods from China for £100,000 and someone in China has £100,000 to dispose of. However many times this money may travel round the international exchanges it would only be redeemable in Britain by buying British goods with it. However under current so called 'free trade' arrangements, foreigners

may use such money to buy British land and other assets—giving access to land value rents and other monopoly tributes.

Free trade means that you can buy goods from anywhere in the world without being penalised by tariffs. If there is a high tariff on colour television sets from China then you don't buy them. The EU has over 100,000 items on its list of tariffs. Often these tariffs are to prevent so called "dumping" of cheap goods. The EU itself is guilty of dumping taxpayer subsidised food on world markets. So EU citizens pay more for their food than is needful and high taxation to pay to keep the farmers and agribusinesses happy. Arla, the giant food company, has received over one billion euros in subsidies since 2000 and the largest farmers and landowners regularly get between £200,000 and £500,000 a year in the UK. Tap into www.farmsubsidy.org for details.

Tate & Lyle take £100 million a year from the CAP and we pay twice the world market price for their sugar and indeed for other foods to pay for these subsidies. While these distortions occur the ideas of free trade are meaningless.

The USA has its own problems over trade as the Hon. Ron Paul of Texas said in Congress in May, 2000. "International trade management and trade law is to be dealt with by the US Congress, and yet too often the Congress has been quite willing to renege on that responsibility through fast-track legislation and deliver this authority to our President, as well as delivering through agreements, laws being passed and treaties, this authority to international bodies such as the UN-IMF-World Trade Organizations, where they make decisions that affect us and our national sovereignty."

VH Blundell in his pamphlet *A Child's Guide to understanding Protection and Free Trade* explains all this with clarity and insight. He ends by saying "If a government removes all trade barriers against goods from other countries, it has nothing to fear, even if no other country does the same."

The UK government would do well to listen to this. L&L

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“And all the while the landlord sits still...”

He has been voted the greatest Briton of all time and is recognised as one of history's most influential leaders but few today remember Winston Churchill's support for land value taxation. **John Stewart** investigates what Churchill really thought of Henry George

FEW PRIME Ministers have received such detailed biographical attention as Winston Churchill. Every facet of his life has been analysed, yet his vigorous support of the 1909 land value levy appears to have been generally forgotten.

Historians haven't been wholly silent on the matter, however. Randolph Churchill, for one, in the second volume of the major biography completed by Martin Gilbert, records Churchill's sentiments in pretty clear terms.

Here he is addressing the Scottish Liberal Association in Edinburgh:

"The roads are made, the streets are made, the railway services are improved, electric light turns night into day, electric trains glide to and fro... and all the while the landlord sits still.

Every one of these improvements is effected by the labour and at the cost of other people—yet his [the landlord's] land value is enhanced. When the land is eventually sold, it is sold by the yard or inch at ten times, twenty times or even fifty times its agricultural value..."

It was a sentiment that would form one of the guiding principles of that year's budget, the famous People's Budget, which sought to introduce a land value tax but which was vociferously opposed by the landowners who made up the House of Lords.

At the time Churchill was President of the Board of Trade and became president of the "Budget League", an organisation set up to counter the Conservative opposition's Budget Protest League.

Churchill was a child of Blenheim, born into privilege, yet he was advocating a measure that would deprive the privileged of their nest egg. It was not surprising that some viewed him as an Alcibiades.

In fact, the detail of the land value duty proposed in the 1909 budget was anything but

swingeing: it consisted of a tax of 20 per cent on the unearned increment of land value, to be paid whenever land changed hands, and an additional tax of a halfpenny in the pound on the capital value of undeveloped land and minerals.



Hardly draconian, but of course it was the thin edge of the wedge, and seen to be so, and indeed meant to be so. The land owning classes, with the peers at their head, knew this.

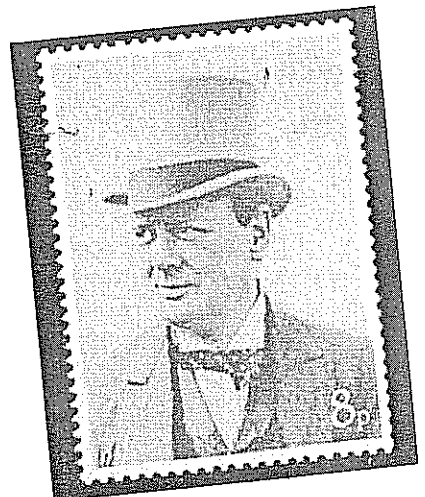
But while Churchill's support for land value taxation may have been obvious, Henry George has not been mentioned, and this silence, as it were, is reflected in the major Churchill biographies—King George, Lloyd George, but no Henry!

Did Churchill read Henry George? Here are two sources that say he did: The first Andrew MacLaren and the second Josiah Wedgwood.

Andrew MacLaren told the story, that when at 11 Tothill Street, London sw1, the HQ of the United Committee for Land Value Taxation, they received a request from Churchill for a copy of *Progress and Poverty*. In due course the book was returned, but with certain passages underlined in pencil. This story MacLaren told more than once. He was not close to Churchill, but neither was he distant. They both shared the secret, as it were, the secret of the primary significance of Henry George's teaching. This may be considered fanciful, yet the feeling lingers.

Later, in 1931, when Philip Snowden's budget containing land value clauses was actually passed, MacLaren rose to speak. The extract is from Hansard (6th May 1931).

"Mr MacLaren: I thank the House for the patience and tolerance they have shown for one who feels deeply on this matter. I only wish the right hon. Member for Epping [Mr Churchill] had been in his place, because I would have liked to bring before his notice a little classic, which I am sure he would have liked to hear when I brought it to his memory. The right hon. Gentlemen is a master of language, of simile and of dexterous, flashing, brilliant eloquence... As a master of language, I will quote his words. This is what he said at Drury Lane Theatre on 20th April 1907. [Hon. Members: 'Oh!'] Yes. The Churchillian mind goes like the hands of a clock ever moving from point to point... this is what he said: 'We have to face all the resources of a great monopoly so ancient that it has become almost venerable. We have against us all the money power. We have to deal with the apathy and levity of all sections of the public. We have against us the political machinery of class and privilege represented by the Second Chamber in the State. There are only two ways in which



people can acquire wealth. There is production and there is plunder.'

I have never used that word—Production is always beneficial. Plunder is always pernicious and its proceeds are either monopolised by the few or consumed in the mere struggle for possession. We are here to range defiantly on the side of production, and to eliminate plunder as an element in our social system... They the landlords, were resolved if they could prevent any class from steadily absorbing, under the shelter of the law, the wealth in the creation of which they have borne no share, wealth which belonged not to them but to the community..."

From this it seems only reasonable to assume that Churchill had imbibed the teaching of Henry George, not only superficially, but in its essence.

The second source, already indicated, is that of Josiah Wedgwood. At that time Churchill and he were in the same party. In his memoirs Wedgwood recalls the following incident in the Commons:

'He stopped me behind the Speakers Chair one day with "Jos, I've been reading Henry George, and I must say I can see no answer to him."

'At last!' Wedgwood writes. 'With fervour I thanked God and passed on.' His elation was checked, though, when he heard that Churchill had been using the passing interview as one of his funny stories in the smoking room, though it isn't known exactly why Churchill thought the conversation so amusing. Churchillian wit wasn't always explicable.

The question remains; was Churchill fully committed to the message in the pages of *Progress and Poverty*? He had told Josiah Wedgwood that there was no answer to it and his speeches stand as testament to his understanding of the principle.

However the words of Violet Bonham-Carter (Asquith's daughter), in her book *Winston Churchill as I knew him*, suggests that he hesitated over the land value tax measure. This was understandable, for he was a son of the aristocracy. Again, revenge-tinged activism would have been distasteful. A concern, perhaps, reflected in the following speech recorded in the *People's Rights*:

"I hope you will understand that when I speak of the land monopolist I am dealing more with the process than with the individual

landowner. I have no wish to hold any class up to public disapprobation..."

It is not the individual I attack, it is the system. It is not the man who is bad, it is the law which is bad. It is not the man who is blameworthy for doing what the law allows and what other men do; it is the State which would be blameworthy were it not to endeavour to reform the law and correct the practice. We do not wish to punish the landlord. We want to alter the law."

During the inter-war years Churchill was silent on the issue of land reform.

He neither supported nor attacked the 1931 proposals. But then, in many ways he was in the political wilderness, something he maintains himself. His energies were to focus on the future of India and the growing menace of Hitler.

Whatever Churchill's private feelings on the matter, the following speech cannot be unsaid:

"It is quite true that land monopoly is not the only monopoly which exists, but it is by far the greatest of monopolies – it is a perpetual monopoly, and it is the mother of all other forms of monopoly. It is quite true that unearned increments in land are not the only form of unearned and undeserved profit, which individuals are able to secure; but it is the principal form of unearned

increment which is derived from processes which are not merely not beneficial, but which are positively detrimental to the general public..."

Henry George would have applauded such a speech. But, he would also have approved of Churchill's generous speech made on the 16th August 1945, after the election success of Attlee's Labour party, – even though there

were no overt hints of land reform.

"What noble opportunities have the new Government inherited. Let them be worthy of their fortune, which is also the fortune of

us all. To release and liberate the vital springs of British energy and inventiveness, to let the honest earnings of the nation fructify in the pockets of the people, to spread well-being and security against accident and misfortune throughout the whole nation, to plan, wherever planning is imperative, and to guide into fertile and healthy

channels the native British genius for comprehension and good will..."

Only economic justice could deliver such a vision, but while the mother of all other forms of monopoly is in place, such a vision will be doomed to fade.

But by the 11th of the 11th 1918, a generation had been lost and the resulting trauma was felt in every

corner of the Kingdom. Andrew MacLaren, who lived through this time, often stressed how the war had shattered the continuity of thought. And so the land reform of the Asquith administration was quietly forgotten, except for the doomed resurgence in 1931, when it was scuppered by the economic crash. **L&L**

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