

Henry George On Trade Restriction

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IN "Protection or Free Trade" Henry George shows by illustration how absurd it is to expect a nation to benefit by placing restrictions against the free flow of commerce.

"To attempt to make a nation prosperous by preventing it from buying from other nations is as absurd as it would be to make a man prosperous by preventing him from buying from other men. How this operates in the case of the individual we can see from that practice which, since its application in the Irish land agitation, has come to be called "boycotting." Captain Boycott, upon whom has been thrust the unenviable fame of having his name turned into a verb, was in fact protected. He had a protective tariff of the most efficient kind built round him by a neighborhood decree more effective than Act of Parliament. No one would sell him labor, no one would sell him milk or bread or meat, or any service or commodity whatever. But instead of growing prosperous, this much-protected man had to fly from a place where his own market was thus reserved for his own productions. What protectionists ask us to do to ourselves in reserving our home market for home producers, is in kind what the Land Leaguers did to Captain Boycott. They ask us to boycott ourselves."

Henry George thus by a simple illustration demonstrates the absurdity of any nation being self-contained. During a war we blockade the ports of our alleged enemies and prevent goods from entering into their countries. This is supposed to be bad for our opponents. Yet in time of peace we blockade our own ports with tariff restrictions to prevent goods from coming into our country, and this is supposed to be beneficial to the people "sheltered" by the tariff wall. Where is the difference? Are not both acts "trade restrictions?"

REMOVAL OF TARIFF BARRIERS NOT SUFFICIENT

Free trade means more than the removal of tariff barriers. Before a person can trade he must have something to trade with. Before he can have this commodity he must produce it. Production means free access to land, and so long as land—the source of all wealth—is kept from those who desire to use it, we cannot logically say we have freedom of trade. Dealing with this aspect of the subject. Henry George said:—

"The mere abolition of protection—the mere substitution of a revenue tariff for a protective tariff—is such a lame and timorous application of the free-trade principle that it is a misnomer to speak of it as free trade. A revenue tariff is only a somewhat milder restriction on trade than a protective tariff.

"Free trade, in its true meaning, requires not merely the abolition of protection, but the sweeping away of all tariffs—the abolition of all restrictions (save those imposed in the interest of public health or morals) on the bringing of things into a country or the carrying of things out of a country.

"But free trade cannot logically stop at custom-houses. It applies as well to domestic as to foreign trade, and in its true sense requires the abolition of all internal taxes that fall on buying, selling, transporting or exchanging, on the making of any transaction or the carrying on of any business, save, of course, where the motive of the tax is public safety, health or morals.

"Thus the adoption of true free trade involves the abolition of all indirect taxation of whatever kind, and the resort to direct taxation for all public revenues.

"But this is not all. Trade, as we have seen, is a mode of production, and the freeing of trade is beneficial because it is a freeing of production. For the same reason, therefore, that we ought not to tax any one for adding to the wealth of a country by bringing valuable things into it, we ought not to tax anyone for adding to the wealth of a country by producing within that country valuable things. Thus the principle of free trade requires that we should not merely abolish all indirect taxes, but that we should abolish as well all direct taxes on things that are the produce of labor; that we should, in short, give full play to the natural stimulus to production—the possession and enjoyment of the things produced—by imposing no tax whatever upon the production, accumulation or possession of wealth (i.e., things produced by labor), leaving every one free to make exchange, give, spend or bequeath."

Professorial Simplicity

OUR attention has been called to a radio discussion of our economic plight and the cause thereof, in which discussion Prof. Irving Fisher participated. The honor of having the economic wisdom of this gentleman incorporated in the Congressional Record goes to Mr. Jerry Voorhis, Representative from California. The reader, we believe, will enjoy the following excerpts.

MR. VOORHIS. This particular broadcast took place on Tuesday, March 7, 1939, the guest speakers being Senator George W. Norris, of Nebraska, and Prof. Irving Fisher, professor emeritus of economics at Yale University, both of whom are depended upon in a great degree to guide our great Nation in the solving of its economic and social difficulties. . . .

RADIO DISCUSSION OVER WOL

MR. BINDERUP. . . . I introduce Prof. Irving Fisher, professor emeritus of economics at Yale University, from whose words and pen we have gleaned the plan for

constitutional money, Government monetary control, and in whose philosophy the Nation sees today the only hope for continued democracy. . . .

PROFESSOR FISHER. Years of study have convinced me that the depression has been primarily a monetary matter. The simple failure to have a sound and stable monetary system has been the most fundamental reason for business and bank failures, foreclosures, bankruptcies, and unemployment—in a word, for the depression. It was the depression, the pressure of starving and disillusioned men and women, which mainly caused and still causes the great world upheavals—economic, political, social, and even religious. . . .

Money has become a prime necessity in our civilization. Without it, goods cannot be sold and will not be produced. There may be crying need for the necessities of life; there may be all the iron, coal, lumber, and other raw materials used for manufacturing; there may be millions of able-bodied men anxious to work, yet, if there is no money there is no production; there is unemployment and starvation. . . .

If the banks loan freely so as to generate money, we have a boom. If there are few borrowers or if the banks do not wish to lend we have a depression. . . .

Fluctuations in the volume of our active money do great harm. Our check-book money shrank \$8,000,000,000 between 1929 and 1933, causing the great depression. That eight billions was more than a third of our money—more than a third of the Nation's purchasing power. How can we expect to buy the same amount of goods with two-thirds of our money? The restoration of a portion of this destroyed check-book money by Government borrowing from the banks made our partial recovery. A second destruction of check-book money in 1937 caused the recent recession while a second restoration is making a second partial recovery. [*sic*]

We should never have permitted the destruction of the vast sum of check-book money which was destroyed in 1929 to 1933. We should not have permitted the destruction of check-book money which caused the recent recession. These fluctuations of check-book money could not occur if there was 100 per cent real pocket-book money in the banks in our checking accounts—if the banks were not permitted to create this imaginary money—bank credit. That 100 per cent reserve was the original banking system. Banks did not create credit. They received for deposit actual cash and they loaned actual cash, but they loaned only the cash which was deposited in time deposits, and which were deposited for the specific purpose of being loaned by the bank. There were no low-reserve checking accounts in those days. All business was transacted with actual cash. Deposits of cash which the depositor expected to use in his business remained in the bank in cash at the disposal of the depositor. . . .

The banks now, as a system, hold cash and Government bonds equal to the total balances in the Nation's checking accounts—what we call demand deposits. If all these bonds were made instantly convertible into cash at the demand of the banks, the banks would now have, as a system, all their checking account balances in cash or its equivalent. A very simple law would preserve this desirable situation. Thereafter it would only be necessary for the Government to issue any additional money needed to promote full recovery. This would be in cash, which the Government would deposit in the banks and spend into circulation. If this is done, it is my belief that we shall never again see another depression like the 10-year depression which we have just had, and if this had been done 10 years ago we would never have had this depression at all. Senator Norris, if you will get such legislation enacted in the Senate and your fellow Congressmen at the other end of the Capitol will do their part, you will have accomplished, in my opinion, more for the good of your countrymen than has been accomplished by legislation for a generation. I take this opportunity to express my gratification that you are now adding this problem to the many which you have handled so successfully already.

Comment?—We're bewildered. It is all so simple, as the Professor says, but in the absence of anything that remotely resembles facts, in this day of trial, we are speechless.

THE mode of taxation is quite as important as the amount. As a small burden badly placed may distress a horse that could carry with ease a much larger one properly adjusted, so a people may be impoverished and their power of producing wealth destroyed by taxation, which, if levied in another way, could be borne with ease.—PROGRESS AND POVERTY, BY HENRY GEORGE.

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BOOK REVIEWS

GROUND UNDER OUR FEET: AN AUTOBIOGRAPHY

BY RICHARD T. ELY

330 pgs. Price \$3.00 The MacMillan Co., N. Y. City.

Richard T. Ely has been to the Georgeists almost as much of an "enfant terrible" as Hearst has been to the Communists. Perhaps a glance into the lives of our "enemies" would disarm us a little. For a biography—and especially an autobiography—reveals, after all, a human being with a typical human life-pattern. A perusal of Ely's account of himself in "Ground Under Our Feet" may dispose us more kindly toward him. For instance, he opens thus:

"I was born before the Civil War. I have witnessed a panorama of events which has thrilled, saddened, inspired and ever kindled in me a burning desire to set the world right. I have been guided in my efforts by the philosophy that 'the beginning and end of all is man.' In my youth I was branded a 'radical' for saying things