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THE COMMON MARKET
A Paradise for Protectionists

Representatives of six European countries—France, West Germany, Italy, Belgium, Holland, and Luxemburg—meeting at Messina, Sicily, in June 1955 agreed to recommend their respective governments to take steps to merge into one their separate national economies. In June this year, at Venice, they adopted a report which set out the principles by which this amalgamation could be achieved, and later, at Brussels, they drew up a draft treaty to give effect to those principles. In Paris, since September, a committee formed of representatives from the rest of the European countries has been examining how this proposal would affect them.

The core of the proposal is that the six countries should form a Customs Union by erecting a tariff wall circumscribing the whole area for taxing imports from the outside world. Within each of the constituent countries there would be simultaneous, all round reductions in the customs duties now imposed on the imports from the other five, these reductions taking place in stages: at the end of the first year, to 90 per cent ; at the end of the fourth year to 70 per cent, and at the end of the eighth year to 40 per cent. Complete "free trade" so far as the *internal* movement of *manufactured* goods is concerned would be achieved, it is expected, some twelve to fifteen years after the signing of the treaty. Agricultural products, which include beers, wines and spirits, and tobacco, would be specifically excluded from these arangements: farmers would continue to receive tariff protection from foreign competition, and food would continue to be made artificially scarce and dear.

At first glance, the proposal may appear to be a step, however faltering, towards free trade. It is not. The scheme has been devised by, and in the interests of, protected European manufacturers. They need a mass market to absorb the products of mass production techniques, especially with the approach of automative processes and atomic power. At the same time, they are determined, so far as possible, to retain their special privileges by way of protection against outside competition. Principally what is involved is that, instead of each country maintaining its own tariff wall against imports from other countries, each charging different rates of tax, a new wall would be constructed around the whole territory of the participating countries, and tax on any given commodity would be charged at a uniform rate at each custom house. By no stretch of the imagination, or distortion of the meaning of words, can this be called "free trade." It is the same economically disastrous and morally indefensible protectionist policy which the sponsors of this Customs Union indict by every word and argument they utter in favour of removing trade restrictions between the six countries. The "Common Market" which would be formed within the Customs Union would be as nearly as possible the protectionist's paradise of a vast "exclusive" home market. That "ideal" is not capable of full realisation—as the example of the United States of America illustrates—for three main reasons: governments are largely dependent upon tariff revenue, certain essential raw materials and manufactured products can be obtained only from outside the sheltered home market, and if exports go out, imports must come in.

There has been silence in public on two points of paramount interest—the height of the proposed circumscribing tariff wall, and the timing of its erection. It is certain to be extremely high and it is likely to be put up with all possible haste. We base these assertions on sound reasoning and some knowledge of what has happened elsewhere when Customs Unions have been formed, as for instance the old German Zollverein, the Australian Commonwealth and the United States of America. Technical experts (who would have the time of their lives) would examine the Tariff Lists at present in force in the six countries. Item by item they would choose the highest prevailing duty and that would be adopted as the minimum tax to be imposed by the Customs Union. But as many manufacturers would probably demand some form of additional protection against competition from the outside world to compensate them for the increased competition they would have to meet from within the Customs Union, and as each of the six Governments would find its tariff revenue depleted as a result of the liberalisation of trade between them, it is reasonable to suppose that in many instances even higher import taxes would be imposed. For the same reasons, and because it would be administratively more simple, the tariff ring wall would probably be erected immediately, rather than in stages as other tariffs were progressively reduced.

It is always the case that changes in taxation affect different interests in different ways and to varying degrees. So it would be if this Customs Union were formed. European consumers who are at present able to meet all or most of their requirements from within the area would benefit from lower import taxes and increased competition between manufacturers. Those who buy much from the outside world would suffer. So, too, would manufacturers dependent upon overseas sources for purchase of their raw materials, and so, too, would importers. On the other hand, manufacturers who are not so dependent on overseas sources would benefit from cheaper (because less heavily taxed) raw materials and components, and from the economies which a larger market would enable them to secure. Although they would encounter stiffer competition than they meet at present, they would be better able to face it.

Initially consumers would benefit from these developments: goods would be cheaper, quality would be improved, choice would be greater than at present. This phase would be short-lived. The industrial giants which have grown up in each country behind national tariff barriers would carry their accustomed activities into the larger arena, knocking out or buying up their competitors. They would enter into cartel agreements with each other until each industry, or group of industries, was in the ownership or control of a single group able to rig the market to its own advantage and to exact monopoly prices. To counter such moves there are suggestions that a federal commission armed with "trust-busting" powers would have to be set up if the Customs Union eventuated. However, to judge from the negligible results achieved by the Monopolies Commission in Britain, and the skilful casuistry with which monopolies deny that they are in fact monopolistic, or that their activities are contrary to the public welfare, these suggestions inspire very little confidence. There is one, and only one, practicable safeguard against monopolies and cartels, and that is for governments to permit their people to buy freely from alternative suppliers abroad. Unfortunately, whatever else may be conjectural at the present, the one thing that stands out clearly about this proposed amalgamation is that it is specifically designed to prevent people from doing just that. And on those grounds the scheme stands condemned as economically harmful and ethically wrong. Among its fruits would be artificially high prices, distorted production, strife between nations and within nations, the many being exploited to the benefit of the privileged few, corrupt government and grave social discontent.

Nevertheless the project is being seriously considered not only by its sponsors but also by the governments of other European countries. It is a question whether to get inside the ring, or to stay outside, or to have some kind of loose association with it. The discussion goes ahead on the assumption that the intended Customs Union may actually take shape, which, while providing an unrestricted flow of manufactured goods from place to place within the area, would establish an all-surrounding tariff wall against competitive imports from without. The countries joining the Customs Union will be beset with many intricate problems before they can "harmonise their economies," that to include adjustment of wage-rates and social services, etc., so that industries in each of the countries shall be on an equal footing as to working conditions and costs. The scheme is still far from completion. But outsiders, taking its success for granted, foresee with alarm its certain consequences.

For what concerns the outsiders is the general tariff that will be erected against their goods. For many reasons, as explained by Mr. Harold Macmillan, the Chancellor of the Exchequer, Great Britain could not enter this Customs Union, whatever other countries may think of doing. The main obstacle to any such action is the preferential tariff which Britain accords to the Commonwealth countries. Instead therefore of actually entering the European Customs Union, Great Britain could as it were invade it, and of course with the consent of the countries belonging to the Union. It would be a two-way consent, a reciprocity, a selected number of treaty-made concessions (to use the protectionist jargon) by which Great Britain would either reduce or abolish its tariffs on goods coming from the European Union, provided that the Union would give equivalent concessions in respect of exports from Great Britain. Language is considerably strained when Mr. Macmillan talks of this sort of tariff-bargaining as creating "a wider sphere of a free trade area."

That apart, think of the enormous complications that would ensue and think also of the one essential feature that would have to remain, the perpetuation of a protectionist regime for Great Britain for many years ahead and the country bound by treaty to sustain it—a tariff with its many differentiations according as goods come from the Commonwealth, from countries inside the European Union and from countries that lie without, they including the rest of the world. But further than that, how does Mr. Macmillan expect to buy the consent of those British industries to the reduction or abolition of the tariffs which endow them under customs protection? Can it be bought by their agreeing that, although the European producers will be enabled to invade their market in Britain, ever so many other industries in Britain will benefit as exporters to the European market which in turn is thrown open to them? Seriously, we question any altruism from that quarter. Rather we agree with the *Observer* in its reflections on the discussions that are now forward: "The trouble is that the squeals, when they come, will be deafening and the private lobbying, much of it invisible to the public eye, will be intense."

The course that present deliberations are taking was thus described in the *Financial Times,* October 15. A "working party" is busy, attended by the senior civil servants "in charge of commercial policy" (sic) from most of the OEEC countries. Completion of its report is envisaged by the end of this year, dealing with the whole concept and "analysing the complications in the customs arrangements that will be involved. Then there is to be a meeting of the OEEC Council of Ministers under the chairmanship of Mr. Macmillan to decide in principle for or against the scheme. If the answer is 'yes,' the OEEC countries will go ahead and draft a treaty . . . It is unlikely that there will be any cutting of tariffs until the second half of 1957. Meanwhile the other OEEC countries will have to see whether the formula proposed by the Messina powers for a 12-year programme of tariff cuts is applicable to the wider sphere of a free trade area."

Protectionist ideas dominate the whole scene. Everything is regarded from the point of view of the producer for whose benefit the consumer must be taxed. What matter, we ask, is it to us that the governments of other countries apply tariffs to enable some of their citizens to rob others of their citizens? How can we possibly overcome that by doing likewise among our own citizens? The duty of our government is to institute the freedom of trade, open the ports, abolish the Customs House, disregarding entirely the behaviour of other governments in their trade relationships. A. W. M.

COMMON MARKET DEBATED IN PARLIAMENT

Government and Opposition speakers in an exploratory debate on what should be Britain's attitude to the so-called European free trade area (H. of C., November 26) were substantially agreed that this country should now enter into discussions with the Messina countries to secure an "acceptable scheme." The debate will be reported in our January issue.

A. H. STOAKES

With deep regret we have to report the death on October 25, after a brief illness, of Mr. A. H. Stoakes of Portsmouth. It is a loss to the United Committee, of which he had been a member for more than twenty years, and more particularly to his colleagues in Portsmouth, one of whom, H. R. Lee, pays this tribute:—

"A. H. Stoakes became attached to the movement during the Chamberlainite 'tariff reform' campaign, about 1906. To understand what it was all about he procured a copy of Henry George's *Protection or Free Trade* and he found that book and its philosophy so convincing that for the rest of his life he was dedicated to advancing the movement for Land Value Taxation and Free Trade. As a young man he was employed by the Admiralty as a draughtsman, progressing to become a yard foreman. He spent the years 1926 to 1930 in the Hong Kong dockyard and on return gave his spare time to the Henry George study classes. From 1939 to 1948 he was engaged upon Admiralty work in Manchester after which he retired, returning to Portsmouth to engage in the work of the Henry George School as tutor of the Classes conducted there. Portsmouth is poorer by the departure of this earnest disciple of Henry George."

A. H. Stoakes is survived by his widow and by his son who is a Fellow of St. Antony College, Oxford. To them we convey our sincere sympathy in their bereavement.