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THE DRIFT TO PROTECTION AND TARIFFS

Powerfully represented in the House of Commons, the Protectionists and the many interests out to benefit from all forms of indirect taxation have determined that they will wait no longer for the fulfilment and the adequate interpretation of Mr. Lloyd George's "anti-dumping" election pledges. The Safeguarding of Industries Bill must be passed, and passed this Session. The day has arrived for the triumph of "Tariff Reform" so-called. The alternative is the downfall of the Government.

The Bill is based on the financial resolutions printed in our last issue. Its miserable fallacies have been fully exposed in debate. Ministers have made and will make no attempt to answer the arguments. They are hacking their way through all discussions. The financial resolutions were finally adopted, on report, on the 31st May. The Bill was at once introduced, and on the 1st June, after a brief debate, closured by Mr. Austen Chamberlain, it was read a second time. On the 3rd June Mr. Chamberlain further applied the methods of the gag by getting a resolution adopted to allot five days to the Committee stage, two days to the report stage, and one day to the third reading. This is how matters stand as we write. The way is prepared for the passage of the Bill.

There are two proposals. One is to levy a 33⅓ per cent. tariff on a number of articles for the protection of what are said to be "key" industries. Secondly, for the prevention of "dumping," Parliament is to hand over its taxing powers to a Committee under the Board of Trade, which can make an order levying a duty of 33⅓ per cent. on any imports if, on complaint, it appears that such imports are being sold "below the cost of production"; or at prices which for reasons of depreciated exchange are sold below the cost of profitable manufacture in this country and are causing unemployment in any home industry. As the language is vague, so are these powers apparently arbitrary. It is sufficient that the trade of the country will be at the mercy of a committee, subject to all the evil influences that greed and corruption can bring to bear.

Discussion of these proposals has brought out all the familiar objections to Protection with which it is so easily demolished. Every one of the "key" articles listed in the first part of the Bill is the raw material of some process or the instrument of production used in some industry. In every case the industry affected is of far greater importance than those particular things themselves. As the MANCHESTER GUARDIAN (22nd June) argues: "The diversion of trade from its most profitable channels, the raising of prices, the selection of special industries for favoured treatment, the expense and delay of getting goods through not only a tariff, but red tape, the opportunities for lobbying and graft, the encouragement of inefficient methods of production, the sense of insecurity inherent in all tariffs which are liable to change, the risk of reprisals from and the certainty of complications with foreign nations—these are all to be expected in any measure of Protection. These are all in the Bill."

The case for Protection has been intellectually overthrown time and again by these and similar arguments which carry the discussion just to the point of proving that tariffs cannot diminish unemployment or promote industry. But something more is wanted than merely negative arguments. Here is a Bill which is rank with all the Protectionist fallacies. Yet it is designed not so much to erect tariff barriers for the benefit of some manufacturers as to secure, what all protective tariffs do after all secure, a large part of the public revenues from indirect taxation. The Bill prepares the framework of a general tariff and the shifting of as much taxation as possible upon those least able to bear it. The real financial interests behind the Bill are those that are clamouring for a reduction in direct taxation just when new sources of revenue are necessary.

The issue is therefore, not the fallacies of Protection or the "anti-dumping" nostrum or the absurdity that nations trade at an advantage if their money is depreciated, but is, who shall contribute to the public revenues of the country? That issue is not going to be raised or fought by those opponents of Protection who, calling themselves Free Traders, yet believe in tariffs for revenue and in all manner of taxation interfering with trade and penalising industry. Arguments are never forthcoming from that quarter to explain what is the cause of bad trade, low wages and unemployment or to point to the remedy. The case for true Free Trade is not expounded, and little interest can be aroused in the defence of that partial Free Trade which offers no solution of the social problem. Men turn from the controversy between tariffs-for-revenue-only and tariffs-for-protection and cry to the disputants "a plague on both your houses."

Recent history shows how the professed friends of Free Trade have been responsible for the drift towards Protection. The beginning of the reaction may be traced to a deputation of influential gentlemen from the City of London, who, on 22nd July, 1915, met Mr. Asquith, then Prime Minister, and pleaded for increased taxation. It was necessary to secure the interest on the public debt. Emphasis was laid upon the fitness of placing some part of the burden upon wages and of levying Customs duties on articles not absolute necessaries of life.

In reply to these demands, Mr. Asquith revealed the mind of the orthodox "tariff-for-revenue" Free Trade attitude. He said that even before the war he had desired that the limit of income tax should be lowered. He had always held that it was "very important to secure that all classes should contribute not only indirectly but directly to meet the necessary expenditure of the State." Mr. Asquith, as it happened, was in congenial company. Six of the deputation who then pleaded for a tariff are among the signatories of the Bankers' Manifesto against the Safeguarding of Industries Bill, recently issued by the Free Trade Union.

Mr. Asquith promptly followed the line advocated by the City financiers and went a step further. In September, 1915, his Government, with Mr. R. McKenna as Chancellor of the Exchequer (and now a subscriber to the Bankers' Manifesto), imposed a 33⅓ per cent. protective tariff upon pleasure motor-cars, cycles, cinema films, clocks and watches and musical instruments. Duties on sugar, tea, coffee, chicory, dried fruits and motor spirit were increased. The income tax limit was lowered to £130. In the April Budget of the following year further Customs duties were imposed, extending the list of taxed articles to matches and mineral waters. All these things were done by a Government which, needing revenue, did not attempt to get a single penny by direct taxation from the fund the community itself creates—the economic rent of land. The burden was thrown on trade and industry by every kind of hampering and penalising device.

The sentiments expressed in the resolutions adopted at the Paris Economic Conference in 1916 have encouraged the "Tariff Reformers" in their "anti-dumping" crusade. The resolutions were drafted by Mr. W. Runciman with Mr. Asquith's approval as Prime Minister. Mr. Asquith has lately protested that these resolutions are no precedent for the Safeguarding of Industries Bill. His protest does not convince. Whatever may be said about the special circumstances of the time, the Paris Conference laid down a principle which, if true then, is true now. It proposed the raising of tariff barriers in the interests of home producers threatened by the "aggression" of cheap imports from the workshops of Central Europe. At Paris expression was given to the view that tariffs can promote the development of industry and prevent the alleged injury of abundant imports.

The Protectionists and Tariff-mongers have had very much their own way since. One of the war measures was the creation of the department of import and export restrictions. In 1918 a Consultative Committee was set up to advise as to what restrictions should be temporarily continued during the transition period following the war. This Committee was (says the Free Trader of February last) packed by the representatives of manufacturers whose chief concern was to keep out foreign goods. After the Armistice the import restrictions were increased and multiplied, and soon some 260 classes of goods were put on the embargo list. The embargo was abandoned when it was found to be illegal. Then followed the Import and Exports Regulation ("anti-dumping") Bill of last year, which was withdrawn. Now we have the Safeguarding of Industries Bill, of which one of its Ministerial watch-dogs, Sir Alfred Mond, has been frank enough to say: "Certainly the Bill will have the effect of raising prices. The lower level is entirely uneconomic. Of course, it will raise prices. It is bound to do so. That is the object of it. If it does not there will be no point in it."

Imperial Preference has been wedged into the McKenna Duties making their repeal all the more difficult for the next Free Trade Government, because the preference creates other special interests. The importation of dyestuffs has been prohibited, except under licence, to the grave injury of the cotton trade. The German Reparation (Recovery) Act levied a fantastic tariff of 50 per cent. on German imports and the levy is no less futile and absurd by its recent reduction to 26 per cent.

Thus is the pace set for the use of Toll Gates and Customs Houses for no other purpose than the shifting of taxation to the consumer—whatever the ostensible object may be, whether to be prepared for another war, or to unite the Empire, or rectify the exchanges, or recover damages from late enemies, or even to give spoils to the manufacturers.

A. W. M.