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# THE FALLACIES OF PROTECTION

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"A tax on any commodity, whether laid on its production, its importation, its carriage from place to place, or its sale, and whether the tax be a fixed sum of money for a given quantity of the commodity or an ad valorem duty, will, as a general rule, raise the value and price of the commodity by at least the amount of the tax. There are a few cases in which it does not raise them by more than that amount."—JOHN STUART MILL, "Principles of Political Economy."

"It is the maxim of every prudent master of a family never to attempt to make at home what it will cost him more to make than to buy. . . . What is prudence in the conduct of every private family can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it from them with some part of the produce of our own industry, employed in a way in which we have some advantage."—ADAM SMITH, "Wealth of Nations."

"To levy a direct tax of 7 per cent. is a dangerous experiment in a free country, and may excite revolt; but there is a method by which you can tax the last rag from the back and the last bite from the mouth without causing a murmur against high taxes, and that is to tax a great many articles of daily use and necessity so indirectly that the people will pay them and not know it. Their grumbling will then be of hard times, but they will not know that the hard times are caused by taxation."—WILLIAM PITT.

#### Landlord Takes What's Left

"Labor may be likened to a man who, as he carries home his earnings, is waylaid by a series of robbers. One demands this much, and another that much, but last of all stands one who demands all that is left, save just enough to enable the victim to maintain life and come forth next day to work. So long as this last robber remains, what will it benefit such a man to drive off any or all of the other robbers."—HENRY GEORGE, "Protection or Free Trade."

## THE FALLACIES OF PROTECTION

It is often said that "Protection is the 'settled policy' of Australia." This is an absurd contention. It is nearer the truth to assert that "Protection has almost 'settled' Australia." As long as a large section of the community believes in freedom of trade it cannot honestly be said that the question is settled. "No question is ever settled until it is settled right." Believing as we do that Protection is nothing but legalised robbery, this pamphlet is issued for the purpose of exposing some of the fallacies advanced by those who advocate the protectionist doctrine. The pamphlet is not a text book on the subject. It is circulated for the purpose of stimulating thought, and with the hope that readers will continue their investigations in regard to this important problem.

#### WHAT IS TRADE ?

In considering the respective merits of Protection and Free Trade it is first necessary to determine: "What is Trade?" Trade is simply the exchange of goods or services for goods or services. No man in this country now tries to grow his own wheat, make his own clothes, build his own house, and make furniture for it. It is only people cut off from all intercourse with their fellows who do this. Under civilized conditions we have a specialisation of industry and a division of labor. A carpenter works at his trade, and he receives his wages. But the transaction does not end there. Part of his wages goes to the baker for bread or flour. But the baker does not grow the wheat, and he did not even grind it into flour. He bought the flour from a miller, who bought the wheat from a farmer. So our carpenter, while he has been engaged in building houses in the city, has, by his purchase of bread with some of his wages, been working for a farmer hundreds of miles away; and the farmer in the country has been similarly working for the carpenter in the city. Another portion of the wages goes for boots for himself and his children. But again his bootmaker had to buy the leather and other materials. The leather may have come from the hide of a beast reared in Australia, or it may have come from overseas. Here our carpenter has been exchanging his labor not only with the bootmaker in his own country, but, if the leather came from a foreign country, with people in other lands and with the sailors who worked the ship which brought the leather to Australia.

Free Trade means allowing all exchanges to take place as easily as possible. Why does the Australian carpenter in some cases exchange with workers in other countries? It is because they give him better value in exchange than he can get in Australia. And the less the carpenter gives for a certain line of goods the more he has

to spend on other goods, and the more goods he gets in exchange for his wages the better fed, clothed, and the more comfortable he and his family are. Certain countries have natural advantages which enable its workers to produce some articles more cheaply than they can be produced in other countries. The true economy is to allow the workers in every country to use their labor and capital in the production of those commodities which give a maximum return for a minimum of exertion, and then by a process of trade, to exchange their surplus goods one with the other. This enables the people in all countries to enjoy the natural advantages associated with any country in any part of the world.

Protective duties hinder producers exchanging with whom they please, and compel them to put up with less for their money than they would get under Free Trade. Free Trade, we perceive, benefits the home as well as foreign trade, but Protection would hinder both. This brings us to what may be termed the key to international trade:

For every pound's worth of goods imported into a country, goods to an equal value must be exported or services rendered, unless these goods have been sent in payment of debt; and vice versa, for every pound's worth exported, unless in payment of a debt, or in any way of loan, there must be a corresponding import.

Bearing these facts in mind we see the absurdity of the statements put forth by Protectionists. Let us examine some of these statements.

### DUMPING

A favorite argument is that Free Trade would mean the dumping of foreign goods upon Australian shores. To hear the Protectionists talk one would imagine that foreigners watched their opportunity, and, when the people of Australia were not on guard, brought their ships into our ports and dumped all kinds of commodities upon our wharves and jetties, and then got away before we were aware of their presence. A little reflection will show that the foreigner is not quite so foolish as that. For every pound's worth of goods he dumps in Australia, he wants an equivalent pound's worth dumped upon his own wharves in return. It would be a good thing for Australians if foreigners would dump goods here for nothing.

Two parties are necessary before any trade can result. No matter how willing a foreigner may be to sell us goods, unless we desire to purchase those goods no trade can take place. In every transaction there must be a willing buyer as well as a willing seller. There cannot be one way traffic in trade, and no trade can take place with foreigners unless we are convinced that the goods we are to receive from them are of greater value to us than the commodities

we give in exchange. Therefore it is not possible for foreigners to dump goods on our shores to the detriment of Australian workers.

### EXPORTS AND IMPORTS

Protectionists point to the value of goods imported into Australia, and ask people to believe that this importation is the cause of unemployment in our country. They ask that duties be levied on these goods so that the importation may be stopped and the goods manufactured locally. They fail to see that if this import trade is stopped, the effect would be to restrict exports from our country. The consequence would be that the vast army of workers now engaged in producing for export, and those engaged in the shipping and transport services, would be placed on the unemployed list, and conditions would be worse for all sections of the community. It has previously been pointed out that imports are paid for by exports, and vice versa. Therefore to destroy the one is to destroy the other and thus to court disaster. It is a reflection on the intelligence of the people to assume they cannot be trusted to trade in a free market. Why should tariff barriers be erected to prevent the people from doing what they know to be in their best interest?

### IMPORTS AND FACTORY EMPLOYMENT

It is also asserted that the importation of goods into Australia has the effect of causing less labor to be employed in our factories. This contention has frequently been shown to be wrong, and we now publish a comparative table giving the value of imports during a period of twenty years since the Great War, and the number of employees in Australian factories during the same period. These figures, taken from the Overseas Trade and Production Bulletins, show how erroneous is the statement made by Protectionists.

Year	Imports	Employees in Factories
1920-21	£163,000,000	386,639
1921-22	103,000,000	395,425
1922-23	131,700,000	412,410
1923-24	140,600,000	429,990
1924-25	157,100,000	439,949
1925-26	151,600,000	436,297
1926-27	164,700,000	452,184
1927-28	147,900,000	449,728
1928-29	143,600,000	450,482
1929-30	129,500,000	419,194
1930-31	60,959,633	338,843
1931-32	44,712,868	336,658
1932-33	58,013,860	370,727
1933-34	60,712,926	405,909
1934-35	74,119,496	449,598
1935-36	85,252,458	492,771
1936-37	92,640,462	523,948
1937-38	113,975,060	559,160
1938-39	102,156,352	565,106
1939-40	115,675,505	588,000

It is interesting to note the effect of the high Customs duties introduced by the Scullin Labor Government. From April, 1930, to July, 1931, special duties equal to about 50 per cent. were imposed. On April 4, 1930, a proclamation was issued under which 78 classes of goods were prohibited from entering Australia. The special Customs duties were gradually reduced from May, 1932, to February, 1935; and the proclamation against certain goods was removed by 1933. The official figures show that, with the increase in Customs duties and the prohibition against imports, there was a falling off in the imports. Although Protectionists claimed this would make for more employment in our factories, the figures reveal that a lesser number were employed.

What is the explanation for the increased number of factory workers during the years when imports increased? It is due to the fact that the prosperity of this country rests—not upon its secondary industries—but upon its great primary production. When there is a good wheat crop and a good wool clip, a greater quantity of primary products is exported and sold overseas. Naturally with greater exports there must also be greater imports to pay for the products sent away. This greater production in the primary industries gives a greater purchasing power to wheat and wool producers, and thus they are able to make an increased demand, not only for imported goods, but also for goods manufactured in Australia. Hence more employment for factory workers in our own country. The removal of barriers to trade would give a much greater purchasing power to all sections of the community, and our secondary industries would develop to a greater extent under natural conditions than they are able to do under Protection.

#### KEEPING THE MONEY IN THE COUNTRY

A favorite argument used by Protectionists is that when duties are imposed against foreign goods, and imports thus restricted, we "keep the money in our own country." Such a contention reveals only a superficial knowledge of the principles of trade. It assumes that all goods landed on our shores are paid for in MONEY. This is a fallacy. Take the trade figures for 1938-39, the latest available, as an example. In that year the value of imports into Australia was £101,121,445, and the value of exports £140,496,312. Included in these figures was the amount of specie (money) of which our imports amounted to £53,208, while the money exported amounted to £65,571. Manifestly, if we imported goods to the value of £101,121,445, the export of £65,571 in money was not sufficient to pay for the commodities received. How, then, was the payment made?

As already explained, payment was made by exporting goods produced by Australian workers. That any money was sent away was due to the fact that the things we got in exchange for it were

of greater value to us than the currency exported. Further, it must be remembered that it is not MONEY that the workers require. What they actually need are the commodities which will sustain life. Money is simply the medium of exchange and the measure of value. If people would only consider this question they would realise the absurdity of the claim made by Protectionists. They would understand that Australian money is not legal tender in other countries, therefore traders in those countries do not want it. Just as we do not desire American dollars, French francs, German marks, or the Japanese yen, when we export goods to those countries, so in similar manner traders in those countries do not desire Australian currency when trading with us. This simple truth should be sufficient to explode the bogey of "keeping the money in our own country."

#### A NATION DOES NOT TRADE

We often hear it said that Protection is beneficial to the nation. As a matter of fact a nation—as a nation—does not trade. It is an individual, or a group of individuals, within the nation that trades. There is a certain amount of trade to be done and individuals go out after it. Metaphorically speaking, the merchant in this country would cut the throat of his brother merchant residing here in his effort to get that trade, just as freely as he would that of a foreign merchant. When a protective tariff barrier is erected against any commodity entering a country it is not the NATION that is protected, the protection is afforded to an individual or group of individuals within the nation, who get a privilege at the expense of the rest of the community.

#### TAXING FINISHED PRODUCTS

It is frequently stated that Protection is only needed for "finished products" and that "raw materials" should be allowed to enter the country duty free. This opens up a very interesting question as to what may correctly be termed a "finished product." Take sugar as an example. Sugar is the finished product of the sugar industry. It is the raw material used by fruit preservers, biscuit makers, aerated water manufacturers, and confectioners. When a duty of £9/6/8 per ton is levied upon sugar, coupled with an embargo against the entry of sugar into Australia, other industries are called upon to suffer a great disadvantage. The duty levied upon sugar not only increases the price of that article, it also increases the price of all articles of which sugar is the raw material. Take leather as another example. Leather is the finished product of the tanning industry, but it is the raw material used by the bootmaker and the saddler. A tax on leather means dearer boots and harness, in fact, every thing made from leather is made dearer. Steel may be used as a further example. Steel is the finished product of the steel industry, but it is the basis of all machine production. Duties on steel and steel products therefore increase the price of the implements

and tools of production and do great injury to all forms of industry. When it is realised that the finished product of one industry is the raw material of another, it will be seen that it is not possible to give special privilege to any one industry without calling upon many other industries to suffer a great disadvantage.

### INFANT INDUSTRIES

Some well meaning people, who do not approve of Protection for a lengthy period, hold the view that tariff duties are necessary for a limited time so that "infant industries" may have an opportunity of getting firmly established. They claim that the duty has the effect of shielding the "infant" from competition in its early stages, and thus permits it to become established on a sound basis, after which the duties can be removed. Such a contention has been put forth by Protectionists in all parts of the world. Unfortunately the facts of history show that instead of these "infants" doing without tariff assistance as they grow older, they demand and get a bigger protection than they originally started with. They use some of their great profits to make contributions to party funds, so that higher duties shall be imposed. Any one conversant with the tariff history of America will know this is true regarding the woollen, cotton and pig iron industries of the United States; and it is also true in regard to many industries in Australia. If an industry cannot become established without Customs duties, then it is merely a parasitic growth upon industries which are natural to the country, and it should not receive special consideration by the government.

### PAUPER LABOR

Perhaps the greatest bogey used by the advocates of Protection is that of "pauper labor competition." The workers are told that if we had Free Trade the country would be swamped with goods made in other countries under sweated labor conditions, and they would be out of employment. If the Protectionists are pressed to give the name of the country where the sweated labor exists they invariably refer to a continental country that is living under the alleged blessing of Protection; thus destroying their own argument that Protection makes for good labor conditions. This "pauper labor" question is merely a bogey to frighten superficial thinkers. If there was any truth in the statement that cheap labor made for cheap production, then India, China and Japan should be leading the world in trade. As a matter of fact it is high wage countries which lead. The reason is that when high paid labor comes into competition with low paid labor, the high paid wins every time in lower cost of production. Why? Because the high paid laborer has his physical powers well developed, and he has a higher standard of intellect which enables him to take advantage of and use all the intricate and costly machinery and labor saving devices which make for cheap produc-

tion. On the other hand, the lowly paid worker usually has a lower standard of intelligence, his physical powers are not fully developed owing to an insufficiency of food, therefore he cannot be trusted to handle and take charge of costly machinery, consequently his production cost is high.

Protectionists tell the Australian workers that it "does not pay" to produce a certain article in Australia, because we "cannot compete with pauper labor," and then they demand a duty on that article so that men may start work producing an article which they have declared "it does not pay to produce." Protection does not increase the VALUE of any article. It merely increases the PRICE. Therefore the men at work in protected industries are engaged in pauper labor industries. While men are at work producing wealth they at the same time are consuming wealth. If their consumption is greater than their production they are a distinct loss to the community, and the sooner such an industry is abolished the better.

### NEW SOUTH WALES AND VICTORIA COMPARED

Apart from the theoretical arguments in favor of Free Trade, we have so far as New South Wales and Victoria are concerned practical experience of the operation of the tariff to support the theory that Free Trade is the best economic policy for a nation. In pre-Federation days we had these sister States, the former working under a near approach to a Free Trade policy, the latter living under the alleged blessings of Protection. It is interesting to note the economic effect of the respective policies in each State. In presenting the comparisons certain facts must be stated. Victoria had a start in population, wealth and industrial development, owing to the richness of her alluvial goldfields in the middle of the last century. The discovery of gold carried Victoria far ahead of the older and larger State of New South Wales. Other factors in favor of the protectionist State were the greater extent of her seaboard compared with area, which very materially reduced the cost of transportation; the more uniform fertility of her soil, and her more general and copious rainfall, which made her less subject to drought than New South Wales. Although the total area of New South Wales is far greater than Victoria, her really effective area at that time was not. It consisted of the Eastern Division, containing 94,000 square miles, as against 87,000 square miles in Victoria.

Protection was introduced in Victoria in 1865 by a small series of duties of 10 per cent., and it was promised they would be removed when, after a few years, they had made the protected industries capable of standing alone. Needless to say this promised removal did not take place, and in 1871 there was an extension of the protective policy, both as regards the number of dutiable articles and the rates of duties. This tariff of 1871 was regarded by Protectionists as the

first efficient application of their principles, and the protective period of Victoria is generally dated from that year. From that time until 1895 further extensions of the area covered by duties, as well as increases in their rates took place, until in that year the protective duties averaged 40 per cent.

The professed aim and object of the sponsors of the protective duties in Victoria was to find employment for those whom the gradual failing of the alluvial goldfields made workless. Although it was claimed the tariff policy produced the desired effect, other forces operated to open the avenues of employment. Simultaneously with "Protection," laws were passed enabling settlers to obtain land for agricultural purposes (free selection), and from 1866 to 1873, approximately 50,000 homes were created on the land. During the same period the additional employment offered by manufacturing industries was comparatively insignificant, the increase being, males, 9,216, and females, 2,466. It can be truthfully asserted that most homesteads gave employment to more than one person of wage-earning age, therefore, it is no exaggeration to say that while agriculture absorbed close upon 100,000 persons, the manufacturing industries, in spite of Protection, absorbed only 11,682. Most of these were employed in order to meet the demand for goods by those engaged in rural occupations, and practically all the increase in factory employment would, therefore, have arisen if no protective duties had been imposed.

#### STATISTICAL COMPARISON

The following statistics will prove of interest. They are taken from Coghlan's "Seven Colonies of Australia." The first Federal Parliament was opened in May, 1901, therefore, that year may be accepted as practically the last year of the operation of State Protectionist policies.

	New South Wales	Victoria
Population, 1891 .. .. .	1,132,234	1,140,405
Population, 1901 .. .. .	1,354,846	1,201,070
Increase in population from 1891 to 1901 ..	222,612	60,665
Gold production, 1891 to 1901 ..	£11,058,984	£33,006,905
Total value of production in all industries, 1901 .. .. .	£38,954,000	£28,926,000
Total value production per head of population, 1901 .. .. .	£28/7/9	£24/0/11
Value of production in primary industries, 1901 .. .. .	£28,872,000	£21,454,000
Value primary production per head .. .. .	£25/15/1	£21/0/10
Value added in factory production .. .. .	£10,081,756	£7,472,389
Value of plant employed in manufacture, 1901 .. .. .	£5,770,295	£4,847,130
Persons employed in factories, 1901:		
Males .. .. .	54,461	47,059
Females .. .. .	11,674	19,470
	66,135	66,529

	New South Wales	Victoria
Wages paid in factories, 1901 .. ..	\$4,943,079	\$4,589,412
Total Imports, 1901 .. .. .	\$26,923,213	\$18,927,000
Imports per head of population .. ..	\$19/12/6	\$15/14/3
Total Exports, 1901 .. .. .	\$27,351,124	\$18,646,097
Exports per head of population .. ..	\$19/18/3	\$15/10/9
Value of property, 1901 .. .. .	£358,934,000	£278,887,000
Value of property per head .. .. .	£265	£234
Total Income, 1901 .. .. .	\$64,936,000	\$51,422,000
Average total income .. .. .	\$47.3	\$42.7
Number of persons with incomes £200 and over, 1901 .. .. .	29,700	28,498
Number of breadwinners, 1901, Males ..	451,403	389,381
Females .. .. .	113,396	144,668
Bank deposits, 1901 .. .. .	\$34,382,529	\$30,839,444
Bank assets, 1901 .. .. .	\$43,611,977	\$39,636,768
Savings bank deposits, 1901 .. .. .	\$10,901,382	\$9,662,007
Average per depositor, 1901 .. .. .	\$38/11/4	\$24/11/8
Public Debt, 1900 .. .. .	\$65,332,993	\$49,324,885
Increase in Public Debt per head, 1891 to 1900 .. .. .	\$2/9/4	\$4/10/2

These figures show that for the ten years preceding Federation, Victoria, the protected State, had a decided advantage over the Free Trade State of New South Wales so far as gold production was concerned; the output in Victoria being about three times that of New South Wales. Despite this fact, owing to the free conditions of commerce, the industries of New South Wales began to expand and people were attracted to that State from all over Australia. The population figures show that whereas in 1891 Victoria had a population in excess of New South Wales, during the next decade New South Wales had overtaken and passed the protected State. She increased her population by 222,612 as against an increase of 60,665 in Victoria. It is significant that, of the N.S.W. increase, a considerable number emigrated there from Victoria. It is a well known fact that people do not leave a prosperous country to go to one where there is stagnation; therefore the movement of population from the "protected" State to the one working under Free Trade is striking testimony to the better social conditions ruling there.

The figures of production bear eloquent testimony to the benefit of freedom of trade. Both as regards total values and value per head of population New South Wales gained a substantial lead. Despite the assertion that "protection stimulated factory production," the figures given show there was greater expansion in the manufacturing industries in New South Wales under a Free Trade policy. The value of production was greater, and it must also be noted that in New South Wales they were NATURAL values, whereas in Victoria the values were INFLATED by reason of the tariff. Further, although the total number of employees is slightly higher in Victoria, it will be seen that New South Wales factories employed 7,402 more males than were employed in Victoria, whilst in the employment of females, Victoria exceeded New South Wales by



7,796. It is well known that female labor is paid at a lower rate than male labor, hence Protection in Victoria did not make for that high standard of labor we are told is associated with such a policy.

The export and import figures show that the Free Trade State enjoyed a greater volume of trade, the total and the average per head showing a marked excess over that of the protectionist State. And notwithstanding the fact there was not any tariff to keep out the alleged "cheap labor" goods of China, India, and Japan, the imports from these three countries constituted less than £1,000,000 of the total imports into New South Wales. This should be an effective answer to those who assert that under freedom of trade we should be swamped with cheap labor goods from low wage countries.

### PROTECTION AND EMPLOYMENT

It is claimed that Protection means work for all at high wages. We have only to consider the position in the Continental countries and in the United States of America prior to the war in 1914-1918 to see the fallacy of this contention. In the protected countries there were millions of people out of employment, poverty and low wages were rampant, and the masses suffered deplorable conditions. A tariff neither creates employment nor raises wages. Employment is the result of the opening of natural opportunities to labor, and in securing to all wealth producers the full earnings of their labor. This opening of natural opportunities is only made possible by collecting the RENT OF LAND for public purposes, thus preventing the holding of land—the source of all jobs—out of use for speculative purposes. With Land Rent going into the public treasury there is no need for the continuance of the taxation of industry, and with freedom in the exchange of goods all wealth producers have a much greater purchasing power than is possible under Protection. This increased purchasing power means a greater demand for goods, hence a greater demand for more labor to produce the goods. Tariff duties have the effect of increasing the price of goods, thus reducing the purchasing power of wages, and restricting the demand for commodities. A Free Trade policy by lowering prices causes an increased demand, consequently such a policy is the best one for increased employment. Protection makes for scarcity, Free Trade for an abundance of the good things of life, therefore it raises the standard of living for all.

### ENCOURAGEMENT OF INDUSTRY

Tariff duties are asked for by Protectionists on the plea that they encourage local industries. In Australia we do not depend upon our city factories for our national well-being, as that rests upon the success of our great primary industries. No amount of Protection, scientific or otherwise, can benefit the great primary industries, for the simple reason that the prices for their products are fixed in

open competition in the markets of the world. The effect of Protection is to increase the cost of production, thereby restricting the production of wealth and making it more difficult for these industries to exist.

When the wool clip is a failure, when we have a bad wheat harvest, and a limited production of mineral wealth, there is general stagnation. The spoon-fed factories cannot prevent a depression. WHY? It is because the success of our factories depends upon the demand made for factory products by those engaged in primary production. If there is a restricted demand from that quarter trade will be dull, hands will be discharged from the factories, and many faced with unemployment. Free Trade allows the primary industries to be developed under natural conditions. It permits those engaged in wool and wheat production to buy their requirements in a free market, thus ensuring a lower cost of production. This means that more land is put under cultivation, production becomes more profitable, with the result that a greater amount of wealth is put into circulation. It is generally admitted that for every person engaged in primary production, at least three others are wanted in other industries to supply their needs. From this it will be seen that the only logical way in which local industries can be encouraged is to first settle the land question on right lines.

### FREE TRADE AND PEACE

It is now more generally becoming recognised that if we are ever to enjoy the blessings of permanent peace all trade barriers must be removed. Wars are fought for "spheres of influence," "access to raw materials," and for valuable mineral and oil deposits. Privileged interests in many countries control the source of these wanted materials, and by tariff duties and other restrictions make it very difficult for certain nations to acquire the commodities which they must obtain. If they cannot get their requirements by peaceful negotiation the time comes when they are so desperately in need of them that they are prepared to go to war to secure them.

Trade restrictions played a very important part in starting the great war and the one now raging. We cannot afford to allow the youth of the country to be called to the slaughter every quarter of a century. The cause of the trouble must be removed. As declared in the Atlantic Charter the source of raw materials must be opened on equal terms to victors and vanquished alike, and trade restrictions must be removed. Richard Cobden realised this economic truth many years ago when he said: "Free Trade is the great peace-maker." He saw that the removal of tariff barriers was not enough, and he declared: "You who shall liberate the land of England will do more for the people than we have done by the liberation of its trade." The collection of Land Rent for public purposes will free the land,

and until land is available to all on equitable terms we cannot have Free Trade in the true sense of the term. Before any one can trade he must have something to trade with. That something can only be produced from land by the application of labor. Therefore, if there is not equal right of access to land for all, trade is blocked at its source, and we cannot have that freedom of trade which is necessary to ensure permanent peace. Every one should understand the effect of a tariff. It keeps goods out of a country. That is what we do to our enemies in time of war. We close their ports by means of a blockading squadron and submarine warfare, because we are anxious that commodities shall not enter the enemy country. A tariff has the same effect in preventing the entry of goods into a country in time of peace as a blockading squadron has in time of war? Both policies penalise and injure the people who are denied the right to take possession of goods which they desire.

### EVIL EFFECTS OF PROTECTION

The tariff policy of Australia is incompatible with the spirit of Federation. It gives benefits to privileged interests in certain States at the expense of the community generally. The effect of Protection has been to disturb the natural relationship existing between primary and secondary industries, to increase the cost of production, and to hamper the development of the great primary industries upon which we depend for our national well-being. The tendency of the tariff has been to concentrate secondary industries in two of the Eastern States and to bring about centralisation. More than one half of the population of the Commonwealth reside within the metropolitan areas.

The Customs and Excise duties very materially add to the cost of living. The amount paid in Customs duties, plus importers and retailers' profits on same, is added to the prices of commodities and passed on for consumers to pay. In addition to this, local manufacturers take advantage of the natural and tariff protection to artificially inflate the prices of the goods locally produced. It is within the mark to assert that owing to the scheme of legalised robbery known as "Protection" the cost of the goods consumed in Australia is increased by at least £200,000,000 annually.

The purchasing power of money being reduced by this indirect taxation, the trades unions have endeavoured to secure better conditions for their members by appealing to Arbitration Courts for increased rates of pay. After more than forty years experience of this method of attempting arbitrarily to increase the wages of labor, it is admitted that the system is a lamentable failure. Evidence in support of this is found in the "LABOR CALL," of February 12, 1942, where Senator Don. Cameron, a Federal Labor Minister, asserted that: "Actually, there has been no real improvement in the

position generally of the workers since 1907. What appears so or is said to be an improvement, is merely so much make-believe or an illusion. The purchasing power of wages has not increased since 1907, and practically all improvements in working conditions have been more than offset by added disadvantages or the intensified exploitation of the workers." Figures issued by the Commonwealth Statistician supports this contention as regards the purchasing power of money. The goods that could be purchased in 1901 for 17/7 cost 39/1 in 1940. This is the confidence trick worked upon the people under the guise of "Protection."

In Australia we have been working in a vicious circle. Our policy has been to impose a tariff to keep out foreign goods under the plea that it would find employment for our own workers. The result was increased prices for commodities. Trade union leaders then went to the Arbitration Courts to secure higher money rates of pay to meet the increased prices, and when the increase was granted prices again advanced. The higher prices again reduced purchasing power and restricted the demand for commodities. This brought forth an appeal for still higher tariff protection, and this, in turn, through a further increase in prices, necessitated another appeal to the Court for higher rates of pay. Thus we have had this vicious circle system working for more than thirty years, and it has brought ruin and disaster upon the primary industries. The people engaged in pastoral, agricultural and mining pursuits found the prices of all their requirements advancing and their cost of production increased through the operation of tariff taxes and Arbitration Courts. They were called upon to pay higher prices for their machinery, fencing materials and general requirements, but were unable to demand a higher price for their products. Their wool, wheat and minerals were sold under Free Trade conditions in the markets of the world, but they have been compelled to pay abnormal prices for their necessities. Is it any wonder that a big percentage of wheat growers have been forced from their holdings and compelled to seek relief from their debts in the Insolvency Courts? There must be stagnation and misery whilst such a pernicious policy is allowed to operate. The only way to reduce the cost of living, lower the cost of production, and improve the condition of all the people is to abolish the tariff taxes and adopt a policy of real Free Trade—that is freedom to produce and freedom to exchange.

### PROTECTION AND REVENUE

The question is often asked: "If you abolish the present system of Customs duties, how do you propose to raise the revenue lost to the government?" The answer is simple—by collecting revenue from its natural source—the Rent of Land. This is the only method that is in accord with ethical and economic laws. In the early days of



a country population is sparse, there is little in the way of social services, and land values are low. As population increases, the need for social services arise. Roads and railways have to be constructed, jetties and wharves provided, water and sewerage systems installed, as well as other public utilities. The greatest expenditure on these social services is in those centres where the population is greatest, the lowest being in the rural areas where the population is sparse. It will also be found that where the people congregate in the greatest number there also will be found the highest land values, whilst in the country areas where there is little in the way of population, land values are low as compared with the big towns and cities. This increase in land values is due to the operation of a natural law which automatically brings into existence a fund sufficient to meet the whole cost of necessary government. This is known as the LAND RENT FUND. Instead of this Rent being collected for the benefit of the community it is now permitted to flow into the pockets of the landholding class. We propose that in future this legalised robbery shall cease, that all taxes now levied on the wages of labor shall be abolished, and Land Rent taken for public purposes. The immediate effect of such a change would be to prevent the holding of land out of use for speculation, thus freeing the source of production, without which it is impossible to have REAL FREE TRADE.

#### FREE TRADE MEANS LOWER COST OF GOVERNMENT

A point frequently overlooked is the effect of a Free Trade policy in lowering the cost of government. Under the policy of Protection, high tariff taxes are levied upon all commodities required for Federal and State instrumentalities. Tariff taxes levied upon railway and tramway requisites increase the cost of transport and thus mean higher rates and fares. Taxes levied upon materials needed for jetties and wharves increase harbor dues. Taxes imposed upon hospital equipment, drugs, and medicines very materially increase the charges in connection with our health departments, and penalise the sick and the afflicted. Our educational costs are likewise increased by taxes levied upon material needed for school buildings and furnishings. In every phase of government activity costs are increased by the ridiculous policy known as "Protection." The inevitable effect is that this increased cost of all social services has to be met by a heavier burden of Federal and State taxation. The adoption of a Free Trade policy would mean the abolition of many taxing departments, and the releasing of men, buildings and equipment for use in production—instead of now being used to hinder production—and thus afford relief to a long suffering body of taxpayers.

#### EFFECTS OF REAL FREE TRADE

The change we suggest would prove beneficial in many ways to all wealth producers. By the abolition of Customs and Excise duties

not only will the prices of imported goods be reduced, but prices of locally produced goods will also be lower. The full play of international competition will effectively prevent local manufacturers from artificially inflating their prices as they do today under the shelter of the tariff. The latest available official statistics reveal that Customs and Excise duties now amount to £7/13/5 per head of population, or £38/7/1 per family of five. Assuming that a married man with a wife and three children held £200 of unimproved land values, his contribution to revenue under the Free Trade policy would be £10 per year as compared with over £38 now paid in indirect taxation. Further benefits would accrue as the result of the abolition of other taxes now levied upon industry.

A further point associated with the change in the method of collecting revenue would be the effect upon wages. The collection of Land Rent would make land monopoly unprofitable and thus open natural opportunities for the employment of labor. This would mean an INCREASE in WAGES, because wages are governed by what a person can make working on the free land available. Land monopoly lowers the margin of cultivation and makes for lower wages. Freedom of access to land would raise the margin and increase wages. Another benefit would be the greater purchasing power of money. It is only natural that taxes levied upon commodities depreciates the buying power of the pound, but with taxation removed the pound will buy twenty shillings worth of commodities. This means that all wealth producers will be able to get more of the good things of the earth.

#### WHO WILL BENEFIT BY FREE TRADE

Primary producers who are now called upon to suffer a great injustice by buying in a CLOSED market and selling in the markets of the world will benefit by (1) having land made cheap for legitimate users, (2) their improvements being exempt from taxation, (3) the cost of production being reduced by the abolition of the duties now levied upon agricultural and pastoral machinery and upon fencing materials, (4) their cost of living reduced by the abolition of the duties now levied upon the general necessities of life.

Miners will benefit by (1) the abolition of the monopoly in mineral lands, (2) the reduction in the cost of production by the abolition of the duties now levied upon mining machinery, timber, explosives and general stores.

Business men will be freed from (1) the restrictions which now hamper and harass trade, (2) the inconvenience of having to send in special returns to the government, (3) the abolition of the taxes now levied upon their warehouses, shops and stores, (4) and the taxes now imposed upon their industry.

The general workers will benefit by (1) more avenues of employment being opened, (2) higher wages, (3) greater purchasing power for money, (4) better housing conditions and lower rents by the removal of the duties now levied upon building materials and the taxes upon improvements.

The main contentions put forth by Protectionists have been examined, and it will be seen they will not bear logical investigation. With the Rent of Land going into the public treasury and complete freedom of trade, everyone WHO RENDERS SERVICE will benefit. "The idlers and the parasites will be removed from society, and there will be just conditions for all.

"Give labor a free field and its full earnings. Take for the benefit of the whole community that fund which the growth of the community creates, and want and the fear of want would be gone. The springs of production would be set free, and the enormous increase of wealth would give the poorest ample comfort. Men would no more worry about finding employment than they worry about finding air to breathe; they need have no more care about physical necessities than do the lilies of the field. The progress of science, the march of invention, the diffusions of knowledge, would bring their benefits to all."—HENRY GEORGE.

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If you are interested in Social Justice, you are cordially invited to call at the Office of the League in your State. Free literature obtainable. The works of Henry George and other writers are on sale at reasonable prices. Information supplied on Free Trade and the Collection of Land Rent. Addresses given before any Society at short notice.

If you are a believer in the PRINCIPLES OF FREEDOM, call and have a talk with the Secretary.