

A  
STRANGLE - HOLD  
ON  
TRADE

# A STRANGLE-HOLD ON TRADE

THE MENACE OF THE QUOTA SYSTEM •

PRICE: THREEPENCE

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# INTRODUCTION.

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When I read, almost daily, in the newspapers fresh evidence of the damage that is being wrought by foreign quotas upon British shipping and British export trades, I marvel that our Government should have joined in this disastrous folly, the crowning absurdity of Protectionism and economic Nationalism.

To do justice to the true Tariff Reformers of 1905, who followed Mr. Joseph Chamberlain into the political wilderness, they only wanted Protective and Preferential Tariffs—a tariff wall round the Kingdom with gaps for food, raw materials and Colonial produce. Some of them have now been coaxed and wheedled into quotas by the ex-Socialist Minister of Agriculture (though why should I say “ex”?) who is hampered by the Ottawa Agreements and wants to raise the prices of farm produce by bureaucratic machinery without taxes. By quotas you can produce a real scarcity and famine, as in Russia. By Customs duties, unless they are raised to prohibitive heights, you can only cause a rise of prices. But to tax the food of the people is not a popular policy. To quota it has a different sound, and it will be some time before Mr. Elliot’s quotas are fully understood. To hasten this educational process and to supply Liberal free trade speakers with an armoury of facts is the main purpose of this handbook.

This is not, however, the first time that we have suffered from quotas. During the Great War “rationing” was adopted, and the Board of Trade established an extensive licensing system. When the war was over, Sir Auckland Geddes, the President of the Board of Trade, tried to maintain it. Business men protested, and a group of Liberals formed an Anti-Embargo League to fight the Government in the Courts of Law. That was in the Spring of 1919.

In the list published by the Board of Trade were hundreds of goods, including food, raw materials, clothing, tools, machinery, and manufactured articles, with notes as to the “extent to which licences will be issued.” Thus, women’s apparel was only 25 per cent. of the 1916 imports. Stationery and tools were one-third of 1916 imports. Needles were licensed on recommendation of the “Hosiery Needle Committee.” Bacon was licensed on the

recommendation of the Ministry of Food. Furniture was 50 per cent. of 1916 imports. In a note on this list, which I published at the time, I wrote: "It is not only unlawful, but in every respect irregular. It is altered day by day and week by week to the advantage or disadvantage of somebody or everybody. It is a tariff, and yet not a tariff; for it produces no revenue to the State, though it fills the pockets and swells the profits of individuals at the expense of the whole community. You can hardly find a large shop which is not selling numbers of articles at a higher price than they would fetch but for these embargoes, restrictions and licences."

Eventually the Government took alarm. In August, Sir John Simon announced his intention of importing certain prohibited articles from Spain. Mr. Lloyd George, then Prime Minister, bowed to the storm, and announced to the House of Commons on 18th August, 1919, that the whole licensing system would be abandoned immediately. By this sudden stroke British commerce was released from the first bureaucratic quota system.

It may take some time, but I think we shall succeed in releasing it from the new system of quotas in which it is being entangled.

All our economic liberties are now endangered by the encroachments of bureaucratic Socialism. Happily the old traditional English instinct for liberty is still alive. Our most pressing duty as Liberals is to reinvigorate it, to instruct it with facts and arguments, to inspire it with principles and ideals, and ultimately to lead it back under the banner of the Liberal Party to a victory which need not be long delayed if only we have confidence in our cause.

When we remember what sacrifices great Liberals and Radicals in the past—men like Selden and Milton, Hampden and Algernon Sydney, Penn and Priestley, Charles Fox and William Cobbett, Cobden and Bright, made for the Cause; how Magna Charta and Habeas Corpus were won and how by a long series of statutory reforms our ancestors built up a mighty edifice of constitutional freedom, a pattern of democracy and liberty, we should not grudge the efforts that are now demanded to resist a new tyranny, a new Inquisition, a new Star Chamber, and all the paraphernalia of discretionary injustice, with its background of fines and imprisonments for those who neglect to carry out the orders of Mr. Elliot and his myrmidons.

I tried hard but unsuccessfully a few weeks ago to persuade the Editor of the *News-Chronicle* to allow freedom of discussion in his columns, or at the very least to permit genuine Liberals, who disagree with Socialism and the policy of promoting the absorption of the Liberal Party by the Labour Party, to state their disagreement in the columns of a newspaper which not very long ago was a fore-

most exponent of Gladstonian Liberalism—of personal, political and economic liberty. I should have thought that truth and right policy, and even sound tactics, have nothing to fear—nay, everything to gain—from open discussion.

This pamphlet is being published in the hope that its wide circulation will force the subject into public debate, and in a confident belief that, the more quotas are discussed and understood, the more unpopular they will become. Economic fallacies and political errors only flourish in the dark—they cannot face publicity in a country as liberal and intelligent as ours. If it is not too late, let me recommend those who control the policy of the *News-Chronicle* to read and ponder J. S. Mill *On Liberty* and John Morley on *Compromise*.

It is deplorable that we no longer possess in London a Press in which Liberals may freely discuss the dangers and mischiefs of the new Toryism and the new Socialism. The perversion of news and the stifling of opinions are hateful things. Happily, Liberals can still look for fair treatment in the *Manchester Guardian*, and in many other fine provincial newspapers where freedom of discussion is still honoured and encouraged. And we still have two invaluable and trustworthy publications, the *Liberal Magazine* and the *Free Trader*, which all active Liberals should possess and circulate. Let our countrymen know the Truth, and the Truth will make them free.

This pamphlet describes and criticises the various forms of trade restrictions—other than tariffs—that are being advocated or actually operated in this country—that is to say, quotas, import boards, marketing regulations and subsidies.

The quota system (a convenient term to cover all these devices) is rapidly becoming an even more formidable hindrance than tariffs to international trade. Though comparatively new, it has already been widely adopted in this and other countries, and the New Year has opened with a French quota war against Germany, Italy and Great Britain.

By quotas, imports can be reduced to any extent and without open resort to taxation by means of Customs duties. Only the other day the French announced that they were about to reduce most of their imports by 75 per cent. If this threat had been carried out, it would have meant a reduction of about 8 millions sterling annually in British exports to France. It was the French method of starting negotiations with Mr. Runciman for a commercial treaty! The German and Italian Governments immediately retaliated. Our own quotas and tariffs have caused enormous injury to British shipowners and to several countries such as France, Holland, Ireland, Denmark and Argentina, which are among our best customers.

As the result of generations of controversy in Great Britain, the effects of Customs tariffs came to be understood and known as Protection; and the electors rejected it at successive General Elections. Consequently the name was changed to Tariff Reform, Safeguarding, etc. But under these new names the policy was seen to be the same and to involve taxes upon imports. People knew that taxes must make things dearer than they would otherwise be. Accordingly our Protectionists, seeing that taxes upon food are unpopular, especially in the towns, have hit upon the Socialist device of quotas as a means of keeping out imports and raising prices.

The connection between Protectionism and Socialism is very close. In this last year we have witnessed the definite abandonment of Free Trade by the Labour Party at Hastings. Under the influence of the Socialist League the Party has adopted a full-blown programme of State Socialism, and has announced that as soon as it can get into Power—which it can do under the present system of voting if it secures a little more than one-third of the electorate—it will carry its plans into execution with all possible rapidity. These plans involve the seizure of the Banks and State ownership or control of all the industries and private property of the country. Committees of paid bureaucrats with approved Socialist opinions will be appointed to manage the internal trade of the country, while import and export boards of the same character will be appointed to manage our shipping and impose quotas upon imports and exports.

Some Liberal publicists still talk and write about the Labour Party as “a progressive party,” with which the Liberal Party ought to co-operate. But if Liberal principles and ideals and traditions mean anything at all, the progression to which the Labour Party is now committed will be downhill; all its signposts point to disaster and economic ruin. No one can doubt any longer that the establishment of State Socialism in England will mean (as it has meant elsewhere) the gradual confiscation of individual property and the extinction of individual liberty. The incentives to industry, the rewards of diligence and ability and invention, the joy of deserved success will be prohibited. All individual initiative will be suffocated; the free energies of our citizens will be manacled and imprisoned by the dull uniformity of bureaucratic dictatorship.

Unfortunately the “National” Government by its tariffs and quotas is playing into the hands of the State Socialists, and the country must look to the Liberal Party to defend and restore economic liberty.

The quantitative regulation of imports under the quota system is proving even more destructive of overseas trade than tariffs. In Russia it has extinguished all economic liberty. If anyone in a tariff-protected country needs imported goods, he can obtain them in any quantity provided he pays the tariff; but under the quota

system people cannot obtain more than the quantity fixed by the quota, whatever they may be willing to pay. Under quotas you may have (as in Russia) a famine or famine prices.

The height to which prices may rise under Quotas is unlimited and incalculable. One can measure fairly accurately the amount by which any given tariff will increase prices ; but where a rigid limit is placed upon necessary imports, prices may rise to almost any extent. Sir Percival Perry, Chairman of the Ford Motor Company, Ltd., stated last year that a car which cost £100 in America, cost £190 in Italy owing to a high tariff ; while in Austria, owing not to tariffs but to quotas, a car costing £130 in America cost the Austrian buyer £340.

Thus the quota may be said to be a means of imposing heavy taxation without the public knowing what they are paying. It is a concealed subsidy for the benefit of producers. Quotas yield no revenue to the State, and the high prices that result from the quota system mean at best increased profits for manufacturers, farmers, and middlemen and a number of lucrative jobs for newly appointed bureaucrats. Quotas cannot increase the national wealth or raise the incomes of consumers ; therefore the higher prices of milk, cheese, bacon, etc., must result in decreased consumption, which in turn will lead to more unemployment, especially in the ports, and a lower standard of living.

In short, the quota system embodies all the worst features of Protection, Bureaucratic Socialism, and " Economic Planning." It inflicts a serious blow on international trade, it injures our shipping industry, raises prices, causes unemployment, and constitutes a gross interference with personal liberty. These and other evil effects of the system are shown by descriptions of the various quota devices contained in the following pages.

The Liberal Free Trade Committee is indebted to Mr. C. J. L. Brock for undertaking the task of compiling this pamphlet. We have also received valuable assistance from Mr. Arthur Holgate, a recognised authority on all the problems of British agriculture, and from our Secretary, Mr. Raymond Jones.

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Trade Committee.*

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*February, 1934.*



# A STRANGLE-HOLD ON TRADE.

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## ORIGINS OF THE QUOTA.

Although the Quota system is now part of the official policy of the Conservative Party, it receives very little opposition from the Labour Party, because the idea is an essentially Socialist one. Indeed, it was the Socialists who first advocated it in this country, and they are preparing to use the machinery provided by the present Minister of Agriculture if they get a majority at the next General Election. As part of their general policy of State control, the Socialists put forward the proposal for Import Boards, which were to be appointed by the Government and to be given sole charge of purchasing imported commodities. At first, the proposal was advocated ostensibly to benefit the consumer; it was to "stabilise" prices, and keep them low—though, of course, competition is the consumer's only safeguard. Then it developed into a policy which aims at extinguishing private trade, and placing agriculture under the control of a Socialist Government.

A pamphlet published by the Labour Party in 1926, called *A Labour Policy on Agriculture*, described the functions of a proposed Import Board to control the imports of wheat, and added that similar principles "would be applied to other agricultural products." The well-known pamphlet called *Labour and the Nation* (1928) laid it down as the policy of the Labour Party that the State "must introduce stability into the prices of meat and grain by the collective purchase of imported foodstuffs."

This policy is still adhered to by the Labour Party. At the General Election of 1931, the Labour Manifesto contained the following passage:—

"Wherever necessary, Import Boards will be created for foodstuffs, raw materials, and manufactured goods with all adequate powers of regulation and purchase.

"For the proper and organised conduct of export, machinery will be set up in connection with the principal industries."

The Annual Conference of the Labour Party at Hastings on 3rd October, 1933, resolved that:—

"Neither protective tariffs nor Free Trade is an adequate basis for international trade, which must, as in the case of home trade, be the subject of planning in the social interest, an essential being the establishment of a system of Import and Export Boards."

## OBJECTIONS TO IMPORT BOARDS.

Among the claims put forward for the new Socialist policy was (in the industrial districts) that it would stabilise prices at a level which the poor workers could afford to pay, whereas in agricultural districts it was said that it would bring higher prices in order to make farming pay. Both cannot be true.

Sir Herbert Samuel, speaking at Boston during a by-election on 28th February, 1929, asked the Labour Candidate the following questions :—

“ It is easy to say ‘ we have a policy to stabilise prices, to make them fixed and uniform,’ but how is it going to work out ? At what figure are the prices going to be fixed ; are they going to be fixed at the present low figure for wheat and other things ? If so, that means making the agricultural depression permanent. If they are to be fixed at higher prices, then who is going to pay the loss ? ”—(*Spalding Guardian*, 2nd March, 1929.)

In no case was any reply given.

Furthermore, it was seen that the whole policy of regulating imports to balance a shortage or glut of the home-produced product was merely a reversion to the old discredited method of the Corn Laws. The old Corn Law Tariff fell to the nominal sum of a shilling (thus opening the door to imports) when English corn was so scarce as to be seventy-three shillings a quarter. On the other hand the tariff rose to thirty-six shillings and eightpence (thus almost closing the door to imports) when the price of home-grown corn fell to fifty shillings a quarter.

The Labour Party proposes to regulate imports of wheat and meat on a similar sliding scale, controlled by a Board which would be the creature of the Government of the day. It is an artificial and impracticable method which—

1. would bring no practical benefit to the farmer, and would certainly rob him of the legitimate fruits of his own skill and luck in good times ; and

2. would deprive the general public of the right to buy food at the world's market prices.

The policy of Import Boards is a denial of all freedom of trade. The right, recognised by the Free Trade system, of every individual purchaser to buy freely in the world's markets, guided by considerations of quality and price, would be abolished. Tariffs are a *limitation* upon this right, but they still leave the purchaser able to buy what he wants so long as he pays customs duty, but Import Boards place an absolute limit upon the amount he may buy from overseas.

The members composing an Import Board might be guided in their decisions by the estimated requirements of purchasers, but they would be more likely to yield to the pressure of home producers. At the best no Board is infallible, and the quantities, qualities, varieties, prices, etc., upon which they would decide could not possibly be as well fitted to the country's requirements as they are

under present circumstances when these matters are regulated by the natural laws of supply and demand, and by the combined knowledge and experience of the merchants and brokers whose personal livelihood is at stake.

It is a fallacy to suppose that bulk purchase by Import Boards would lead to more efficient and economical buying. Mr. Alec Slater, president of the Liverpool Corn Trade Association, speaking at the City of London College on October 15th, 1930, reviewed the attempts made by various Governments to fix wheat prices in the past, and said: "At least sixty foreign countries have attempted the practice in one form or another, and careful scrutiny fails to reveal a single outstanding success."

In 1930, the American Government and the Canadian Wheat Pool both estimated (a) their respective crops and (b) the demand for them, and all these estimates were in error by amounts greater than the United Kingdom's total annual wheat requirement (Mr. S. C. Campbell, at the meeting mentioned above). In 1933, the Bacon Marketing Board in this country made similarly erroneous calculations; the actual value of bacon contracts exceeded their estimate by no less than 66 per cent. The claim that Import Boards would buy more advantageously because they could prevent foreign sellers' speculation and eliminate middlemen's profits, is also fallacious. Lord Crawford, who was chairman of the Royal Commission on Wheat Supplies which was responsible for our supply of wheat during the War, wrote as follows in a letter in *The Times* of 29th September, 1930:—

"When our Government replaces the grain trade and becomes the buyer, the sellers' speculation will be promoted because our position and intentions in world markets will be more easily estimated than under private enterprise.

"Another fallacy lies in the belief that huge intermediate profits can be intercepted for the State. Where intermediate profits are made, intermediate services are rendered. Competition is much too acute to invite such services, or to permit such profits, without due return."

These facts apply, of course, not merely to wheat, but to any other commodity.

### **Dangers of Political Control.**

Import Boards would necessarily cause an ever-increasing degree of State control over production and distribution, until every stage of industry and agriculture, from the purchase of raw materials to the retail sale of products to the consumer, was in the hands of the Government and subject to political influence.

There would be a huge increase in State servants, and innumerable interests would seek State contracts and make powerful appeals to political parties.

Every increase of price would be a matter for complaint against the Government by consumers; every fall of price would antagonise

producers. The price of bread might well become an issue at general elections.

In the case of foodstuffs, since only 7 per cent. of the population are engaged in agriculture, there would be strong pressure on the Government to cheapen supplies. In a time of high prices, it would be difficult to resist the demand to sell below world prices, *i.e.* to subsidise food, and so to place the cost of feeding the country partly on the taxpayer. The probability of this danger is increased by the decision of the Labour Party at its Hastings Conference in 1933 to hand over the banking system (when they have nationalised it) to directors chosen for their political views. Is it not obvious that the Import Boards are likely to be crammed with Socialist politicians ?

In the case of manufactures, home prices might be maintained, but export prices would have to be kept low, and there would be a tendency to over-charge the home consumer in order to sell cheaply abroad. This tendency is already in evidence in some cases now, and would certainly increase under the Socialist Export Boards. But if such "organised dumping" were carried out under Governmental auspices, it would have the further serious consequences of arousing hostility on the part of other countries.

The mere purchasing by Import Boards is likely to lead to friction with overseas nations, both within the British Empire and in foreign countries. If attempts were made, as they have been in the past, by large selling organisations in overseas countries to raise prices, it would no longer be a private matter, and would lead to embittered public controversies.

If the Import Board tried to reduce prices, it would be subject to diplomatic pressure that might also lead to difficulties. If it paid more in one market than in another, jealousy would be caused. Lord Crawford, who has been quoted above, asked in the same letter what would happen "if the Wheat Board reduced its buying prices in Canada without doing so in the U.S.A., or if it raised them in Buenos Aires and not in Australia, or offered a very low parity in Karachi ?"

There is no lack of authoritative criticism of the policy. The Balfour Committee on Industry, appointed by the Labour Government in 1924, condemned it outright. After five years' study, their Report, which was published in 1929 (signed by five Labour representatives, Messrs. John Baker, M.P., Henry Boothman, J. T. Brownlie, W. T. Charter and Arthur Shaw) stated :—

"The project of State purchase is open to serious criticisms, of which not the least formidable is the probability that the supplying countries, faced by a State-buying monopoly in one of the principal markets, would seek and obtain the means of protecting their own interests either by way of export combinations of selling monopolies, or by some other method which might make the position of the British manufacturer and user more precarious than before."

Finally, the dangers of the policy from an Imperial point of view were described by Sir James Parr, a former High Commissioner of New Zealand, in a speech delivered in London on 15th October, 1930 :—

“ Bulk purchase (he said) was not favoured by the Dominions, and he did not think the quota system would work satisfactorily. He thought it would lead to jealousies, as it would be no easy task fixing the percentages for each of the six Dominions. Moreover, the quota might be affected by political rather than economic reasons.”

In short, Import Boards would inflict hardship and losses upon the consumers, producers, and taxpayers of this country, and would be a source of many political dangers.

### CONSERVATIVES AND A WHEAT QUOTA.

Many Conservatives were, however, much attracted by the essential idea of this policy, namely the limitation of imports from various countries by committees of State officials. The word “ quota ” is applied to the amount of imports permitted under this system. During the year 1930, the Conservatives officially adopted the quota policy for wheat. As has been said, taxes upon wheat, and therefore on bread, were particularly unpopular ; and the quota provided a way out.

In the autumn of 1930, the Conservative Central Office published a pamphlet (No. 3201) entitled *The Wheat Quota System*, suggesting that millers should be compelled to use a fixed quota of British wheat—which was gradually to be raised from 13 to 25 per cent.—and that the wheat growers were to receive a guaranteed price for their wheat, in the neighbourhood of 55s. a quarter. The difference between the world price and the stabilised price was to be met by a Government subsidy. Mr. Baldwin, in a speech at Glasgow on December 12th, 1930, referring to wheat, said : “ I believe the quota is the best weapon for this country,” and added that “ we are busy now in our research department of the Unionist Party ” working out the problems connected with it.

Actually the Wheat Quota has never been put into operation. The Wheat Act passed by the National Government provided for a guaranteed price (at 45s. a quarter, with the subsidy raised from a levy on all flour milled, and paid eventually by the consumer), but left the millers free to use wheat in any quantity from any source that they wished. The cost of the wheat subsidy was £4,510,000 in its first year.

The idea of quotas had, however, taken a firm hold among the majority of Conservatives, and in recent years they have introduced the quota system for meat, bacon, and other agricultural products.

## THE COAL QUOTA.

Meanwhile another form of quota restriction, which was to some extent a model for future Conservative policy, was introduced by the Labour Government's Coal Mines Act of 1930. Part 1 of this Act set up a Central Council with power to fix a "district allocation" of output for each coal-mining district; and an executive board for each district, with power to determine the "quota" which each mine is allowed to produce, and to fix a minimum price for each class of coal.

Sir Herbert Samuel, opposing the Second Reading of the Bill, pointed out that well-organised pits would "have their quota cut down, and they will be working short time, and consequently they will be producing less than their usual economic output, and as a consequence of that they will have excessive overhead charges. . . . The consumers will have to pay more, but there is one class of consumer who is not to have his prices raised, namely, the manufacturers abroad, with whom our manufacturers are engaged in vital competition. A strange, inverted form of Protection!" Mr. Lloyd George also condemned the Bill, and the Liberal Party moved an amendment to omit the quota provisions. The Amendment was rejected by the narrow margin of nine votes.

The coal quota has had all the evil effects prophesied by Liberal members. It has increased prices at home, and has led to diminished trade abroad. In many cases, the direct operation of the quota has prevented British coalowners from accepting foreign orders because they were not allowed to produce the coal required.

The following instance was reported in *The Times City Notes* on 16th August, 1933 :—

"The case of a modern British vessel which is expected to complete the discharge of cargo in London to-day provides a harsh example of one side of the restrictions of the Coal Mines Act, 1930. The owners have had the offer on account of charterers in Vancouver of sending the vessel to the Pacific Coast of North America with a cargo of Yorkshire coal. The vessel would then probably have loaded homewards a mixed cargo of grain, lumber, and some general goods. Unfortunately, owing to the working of the Coal Mines Act, a cargo of the coal desired cannot now be supplied although the coal could be mined, if this were permitted, within a short time. The vessel is of 9,300 tons deadweight. Being unable to secure the cargo of coal the owners have had to decline the offer of the charter and the vessel is to proceed to laying-up buoys on the North-East coast. The fate of the ship will mean that the officers and crew will be thrown out of employment and a charge imposed on the 'dole.'"

In some cases, British firms, unable to obtain coal supplies from their own district, have had to import foreign coal; and a number of ships have been forced to go from the Humber to Antwerp to fill their bunkers with coal.

Sir Richard Redmayne, formerly H.M. Chief Inspector of Mines, wrote in a letter published in *The Times* on 30th December, 1933 :—

“ Among much that is controversial it would appear to be fairly evident that the objects which the supporters of Part I (i.e., the quota provisions) of the Coal Mines Act of 1930 hoped would be realised have not been achieved and are not likely to be.

“ The following conclusions are both axiomatic and fundamental, namely :—

“ (1) The world demand for coal is, with occasional setbacks, on the average greatly on the increase (thus, while in 1900 it was 765,000,000 tons, in 1929 it had risen to 1,490,000,000 tons).

“ (2) The demand for coal is to a very large extent governed by the price at which it is available.

“ (3) Limitation of output—i.e., the introduction of the artificial quota—leads to the enhancement of the cost of production.

“ (4) Fixation of selling prices is an instrument making for decreased demand.”

### AGRICULTURAL MARKETING ACTS.

The system of setting up Boards, composed of producers, to fix prices and regulate output, which was introduced in this country by the Coal Mines Act has been widely extended by the Agricultural Marketing Acts. The first of these Acts was introduced by the Labour Government and became law on 31st July, 1931—a few weeks before the resignation of the Labour Ministry and the formation of the National Government. This Act, which received a measure of Liberal support, provided that if the Minister of Agriculture were “ satisfied that the scheme will conduce to the more efficient production and marketing of the regulated product ” he might present for the approval of Parliament marketing schemes requiring the registration of producers, and laying down conditions concerning the sale, grading, packing, advertising, etc., of products covered by the scheme. The Act also enabled (though it did not require) a marketing board to fix maximum or minimum prices. But it contained two safeguards for the consumers : first, it set up a system of Committees to consider and investigate consumers' complaints ; and, secondly, it left unimpaired the full force of competition from overseas. This was an Act to improve agricultural marketing, and though it involved a measure of restriction, it had nothing to do with quotas.

Two years later, the National Government, which had begun to bring the above Act into operation, passed a second Agricultural Marketing Act. This Act, passed in July, 1933, was a Marketing Act in name only ; it was really a Quota Act, and as such was strongly opposed by the Liberal Party. Clause 1 enabled the Board of Trade to make Orders limiting the importation of any agricultural product covered by a marketing scheme ; Clause 2 provided that where imports were regulated the Minister of Agriculture (or the Minister responsible for Agriculture in Scotland and Northern

Ireland) should be empowered to make Orders limiting the quantity of the home-produced product that may be sold ; Clause 6 provided that, with due compensation, the number of producers could be reduced ; and Clause 10 extended the powers of the Marketing Boards set up under the 1931 Act by enabling them to regulate the quantity that may be sold of the regulated product. Hence this Act set up a complete system of quota restrictions for numerous staple articles of food, whether imported or home-produced. Sir Herbert Samuel, opposing the Second Reading of the Bill in the House of Commons on 20th March, 1933, said :—

“ It is by far the most Socialistic measure that has been brought before Parliament in recent years.”

“ The title of this Bill is something of a misnomer. It is not essentially an Agricultural Marketing Bill. It is essentially a Bill for the restriction of the production and supply of foodstuffs. That is a point which, for the first time, is embodied in our legislation.”

“ This Measure will have reciprocal effects in other countries, who when we come to the World Economic Conference, will quote it as a reason against the removal of their restrictions.”

The event proved Sir Herbert Samuel to be perfectly correct. The World Economic Conference was an almost complete failure ; the British Government, tied and bound by this legislation, and by their commitments made at the Ottawa Conference, were unable to make any effective contribution to its success.

### **Liberals gain a point for Liberty.**

The Liberals secured one important amendment to the Agricultural Marketing Act. In the House of Commons on 29th March, 1933, Sir Herbert Samuel raised an issue of considerable constitutional interest, which was recorded, correctly and with point, in “ The Essence of Parliament ” in *Punch*, as follows :—

“ A livelier opposition was raised by Sir Herbert Samuel and his trusty troupe of Liberal watchdogs of the liberty of the citizen against the insertion of a subsection providing that :—

‘ The making of an Order in pursuance of this section shall be conclusive evidence that the requirements of this Act have been complied with, and that the Order and the scheme approved thereby have been duly made and approved and are within the powers conferred by this Act.’

“ Either because the Conservative Party thinks the country wants more bureaucracy and less politics or because Members failed to grasp the importance of the matter, the Liberals were only able to win a solitary Conservative supporter in the person of Sir Wilfred Sugden to their cause, and the subsection was duly carried. Its theoretical effect is that if a Minister makes an Order requiring all bacon-producers to wear brown bowler-hats it cannot be challenged as *ultra vires* in any court of law.”

However, when the Bill came before the House of Lords, Lord Reading renewed the attack and carried an amendment in that House. Under pressure the Government at last gave way, and the Attorney-General announced in the House of Commons



that provision should be made for a period of twenty-eight days after an Order had been made by the Minister, during which the validity of the scheme could be challenged in the courts.

It is significant that the Liberal Party received no support from the Labour Party in this matter of the citizen's right to appeal to the law over the head of a Ministerial decree. When Sir Herbert Samuel first raised the question, Sir Stafford Cripps went out of his way to dissociate himself from the protest. Ministerial "Orders" were entirely to his liking. "This is an excellent precedent," he said, "which will be followed widely in the future," and when the Minister announced the concession, Sir Stafford Cripps said:—

"We supported him against the Liberals, but now apparently he has become so frightened of the Liberals that he has given way. We are very sorry that he has been frightened."—(*Official Report*, 13th July, 1933.)

The evil results that have come from the Marketing Schemes under this Act will be illustrated below. First, however, brief reference may be made to another method adopted by the Government of introducing quotas and trade restrictions, namely in the Ottawa Agreements and in some of the Trade Agreements made with foreign countries.

### QUOTAS BY AGREEMENT.

The Agreements made with the various Dominions at Ottawa in August, 1932, provided not only for numerous additional and increased tariffs, but also for the quantitative regulation of imports, notably meat.

Australia and other Dominions undertook not to increase their exports of meat to the United Kingdom above the quantity sent in the year ended June, 1932; and the United Kingdom undertook to reduce the imports of foreign meat in accordance with a programme agreed to by the Dominions. This programme laid down a series of percentage reductions of foreign imports of meat for each quarter until the quarter ending June, 1934, and by that time our imports of frozen mutton, lamb and beef, were to be reduced to two-thirds of the amount imported in the quarter ending June, 1932; and our imports of chilled beef were not to be increased; and provision was also made for the regulation of imports of bacon and ham.

In the trade agreements made with Germany, Denmark, Sweden, and Norway, quota provisions were also introduced. On the one hand, the United Kingdom undertook to import specified proportions of various agricultural products from the Scandinavian countries; and on the other hand, those countries and Germany undertook to import specified quotas of coal from the United Kingdom. It is true that these quotas were not themselves directly restrictive, since they fixed the minimum not maximum imports;

but they were none the less pernicious since they involved the imposition of restrictive quotas against countries who were not parties to the Agreements. If, for example, Norway is required to take 70 per cent. of her coal imports from us, it follows that she must restrict and limit her imports of coal from other countries. Thus the immense commercial influence of the United Kingdom was used to compel these smaller countries to extend the quota system, and further to shackle and reduce the free movement of trade in Europe.

### THE MARKETING SCHEMES.

Under the Agricultural Marketing Acts, a series of far-reaching schemes of Socialistic control have been introduced by the National Government, whose prime mover in this matter has been Mr. Walter Elliot, Minister of Agriculture. The views of Mr. Elliot may be gathered from the following statement which he made in the House of Commons on 24th November, 1933 :—

“ Planning of the trade of this country is forced on us by the necessities of the case. We shall have to come frequently to this House in the months and years immediately in front of us, to ask for sanction for wide and sweeping changes in the economic structure, changes that are forced on us by the necessity of that economic planning which is one of the major necessities of the life of this and other countries of the world.”

This statement bears a close resemblance to the teachings of Socialists, and is developed at great length by Mr. G. D. H. Cole and others in *Problems of a Socialist Government*.

To raise food prices is the main object of the Conservative Party. Mr. Elliot told the House of Commons on 24th November, 1933, that agricultural production in this country must be “ insulated,” and that “ an insulated market means an insulated price.” He added :—

“ When I ask the House for changes which may mean a higher level of prices in this country, let us pull ourselves together and face up to the fact that without that higher level of prices there is no future for agriculture in this country.”

This is untrue. Most of the farms in Great Britain benefit by low prices of corn and feeding stuffs. If all prices were raised equally by Protection and quotas there would be a general demand for free trade. And in the long run, even if any advantage did accrue, it would be more likely to benefit the landlords than the farmers. But the prosperity of agriculture depends on the prosperity of the whole country, and neither can thrive on a policy of scarcity and high prices.

Mr. Elliot is under no illusions as to the incidence of the burdens he is imposing. “ Such a rise,” he said in a speech at the annual dinner of the London Provision Exchange, in London on 4th December, 1933, “ must clearly be felt by the consumer, more

particularly the poorer classes." That is to say, the cost of living must rise if this policy is to succeed.

Nor is there any hope that these price-raising schemes, introduced in the name of "marketing" are merely temporary. Speaking in Manchester on 9th February, 1933, Mr. Elliot said :—

"The policy of quantitative regulation of supplies was not just an expedient for meeting a crisis. It had come to stay."—(*Manchester Guardian*, 10th February, 1933.)

A month later, Mr. Neville Chamberlain informed a meeting at Birmingham that "we cannot go back to Free Trade, not even if all the world adopted it."

### THE PIGS AND BACON SCHEME.

The first important Marketing Scheme to come into operation was that for Pigs and Bacon.\* A Marketing Board was established for Pigs and another for Bacon to regulate and control home production and prices, and coupled with this a rigorous system of import quotas was introduced, despite the warning against quotas given by the Reorganisation Commission for Pigs and Pig Products which drew up the scheme. The Scheme covers only bacon pigs ; pork may be sold freely as before.

The regulation of bacon imports was first introduced in November, 1932, on a voluntary basis. In pursuance of the Ottawa Agreements, all meat imports were reduced at the same time. Denmark and other exporting countries agreed that our total imports of bacon should not exceed 10,500,000 cwts. a year (compared with 11,390,000 cwts. imported in 1931). When the policy of restricting imports was introduced, it was expected that prices might eventually be raised by 6*d.* a pound ; and by August, 1933, this expectation was already realised in regard to the best cuts in large towns, and a rise of 3*d.* or 4*d.* was general, and there was an immediate and vociferous outcry.

Mr. A. S. Warren, chairman of Warren, Sons & Co., Ltd., gave the following information in a letter to *The Times*. He quoted the prices stated in the Official Weekly Dairy Produce Notes of the Empire Marketing Board.

"It is (said Mr. Warren) interesting to note that at this time last year, before any Government scheme was in operation, the price of English bacon pigs was 10*s.* 1*d.* a score, and the wholesale price of Danish bacon was 62*s.* per cwt. This year, under the Government quota scheme, the price of English bacon pigs is almost the same—namely, 10*s.* 4*d.* a score, but the price of Danish bacon has been forced up to 76*s.* a cwt.

"This difference in price is, of course, being paid for by the public, and it all goes into the foreigner's pocket. It will be seen that it has made no difference to the price of English pigs, so that it is an unnecessary waste of the people's money."—(*The Times*, 7th August, 1933.)

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\* A Hops Scheme was introduced in 1932, but the general public do not purchase hops directly, and this scheme regulated the sale only, and not production.

The fact was that the British pigs had not been increased in number (it was officially recorded that there were fewer pigs in June, 1933, than there had been in June, 1932). The inadequacy of home supplies and the restriction of imports naturally led to a sharp rise of prices, which was of no benefit to the farmers, or to the Treasury, but cost the consumers about £1,000,000 a month in additional payments to the foreign suppliers. The great majority of consumers could not afford to pay more, and it was seen that there was a real danger of a permanent diminution in the amount of bacon consumed. As the City Editor of the *News-Chronicle* wrote on 24th August, 1933 :—

“Cereals and cheaper foodstuffs may replace bacon at the breakfast table. There is a danger that by the time British farmers have increased their production of bacon (for which the quota plan was intended) bacon may be out of fashion and the market anticipated for the British farmer be dried up. The Government were warned of this danger by provision merchants months ago. But their ‘quota-mad’ determination has caused bacon prices to soar.”

During the month of August, 1933, prices rose still further, and on 24th August, the price of Danish bacon stood at 88s. per cwt. On that day it became known that the Bacon Price Committee of the London Provision Exchange were to hold a meeting, and a further rise of 6s. a cwt. was anticipated. In consequence the representatives of the trade went to the Ministry of Agriculture, and after hurried goings and comings between the Ministry and the Board of Trade, not only was the threatened rise of prices averted, but also permission was given for an immediate increase of 10,000 cwts. in the imports of Danish bacon. It seemed that even Mr. Elliot, the chief advocate of trade restrictions and higher prices, was aghast at his own first success.

### **Another Blunder in “Planning.”**

Even worse was to come, however, and shortage was followed by glut. That the pigs were not forthcoming by the middle of the year was mainly due to the fact that increased supplies could not be expected in advance of a rise of prices. But when prices did rise, pig breeders soon rushed in to take advantage of the altered situation. “It is further suspected” (said the *Free Trader* for December, 1933) “that a considerable proportion of this unexpected invasion consists of Irish Free State pigs which have changed their nationality by crossing the Northern Ireland frontier surreptitiously, without payment of the necessary fees to the British Customs authority.” Mr. Elliot said in the House of Commons on 24th November, 1933 :—

“There is no danger whatever of finding too short a production of pigs in this country. My difficulty is to deal with the droves upon droves, the hundreds of thousands, of pigs which are rushing and squealing upon us from every part. The Pied Piper of Hamelin has nothing on me.”

The contracts for the supply of home-produced bacon exceeded the estimates of the Pig and Bacon Marketing Boards by a million cwts. The Bacon Board had expected bacon contracts amounting to £3,000,000, but was actually confronted with contracts of £5,000,000. So much for "planning" and artificial attempts at the "stabilisation of supplies." The position was aggravated by the fact that the rise in prices had considerably reduced consumption. The bacon curers were faced with heavy losses, which could not be precisely estimated, but were about £500,000.

The Government adopted two methods of dealing with the situation. First, they asked for a further voluntary reduction of 20 per cent. in imports; but to this Denmark objected. In consequence, an Order was made under the Agricultural Marketing Act on 7th November, 1933, imposing a compulsory reduction of the quota by 16 per cent. Secondly, the Government promised "to advance a loan to the Bacon Marketing Board, from which efficient bacon curers can be indemnified." An amending Agricultural Marketing Act was passed to give the Board power to indemnify the bacon curers against loss, and to borrow money for the purpose (up to a limit of £650,000).

Thus the second crisis in the short life of this scheme was dealt with. The third crisis is likely to be a financial one. The Bacon Board will have to repay the loan, and the Act does not specify how that is to be done. But (unless the loss is to fall on the taxpayers) the Board will have to raise the money either by increasing the price of bacon (in which case they will certainly be unable to sell it); or by lowering the future contract price for pigs, thus defeating the object of the whole scheme, which was to secure better prices for the farmers. Probably the intention is to adopt this latter method, and in effect to make the producers pay back the loan raised for the benefit of the curers. If and when an attempt is made to do so, we may expect to see the producers join with the consumers in a general revolt.

### **THE MILK SCHEME.**

The Milk Marketing Scheme is even more complicated and extensive than the Bacon Scheme. In a speech at Oxford on 28th July, 1933, Mr. Elliot said:—

"My scheme to revolutionise the milk industry has 90 clauses; and although Parliament knew nothing about it on Thursday morning, by night it had become law."—(*Daily Herald*, 29th July, 1933.)

To be exact, the Order, which was made on 28th July and came into force on 29th July, has 95 clauses and 3 schedules. It describes the constitution and functions of the Milk Marketing Board, which is to control the marketing of milk by determining the descriptions of milk to be sold, the prices of milk, and the person through whose agency milk may be sold.

Although the poll of registered producers had not yet been taken, the Milk Marketing Board invited applications on 31st July, 1933, for the following posts under the scheme :—

	<i>Salary.</i>
Manager ... ..	£5,000—£7,000
Accountant ... ..	£2,500—£3,000
Registrar and Statistician ... ..	£1,000—£1,250
Secretary ... ..	£2,000—£2,500
Marketing Officer ... ..	£2,000—£3,000

Several of the salaries greatly exceeded those paid to Cabinet Ministers. The salary of Mr. Elliot himself is £2,000 a year, less a cut of 15 per cent. Mr. S. G. Foster has been appointed Manager at an initial salary of £5,000 a year.

Mr. Elliot's delight at the manner in which the Scheme was rushed through Parliament is typical of the Socialistic bureaucrat. In the same speech at Oxford, he said :—

"No one comes up to me and says, 'Hail, Elliot,' and I have no crosses to wear."—(*Daily Herald*, 29th July, 1933.)

This was doubtless said in jest. But he added in complete seriousness : "The danger here is that for the want of ballyhoo and some crosses, the whole thing may not go through." In other words he could not carry the matter through on his own fiat ; there was still a certain amount of free voting by the people in the industry.

However, the poll was favourable, and in due course the scheme came into operation. Milk prices were fixed for each region, with the result that in rural areas and small towns prices were raised, with much hardship to the consumer, and a decrease in consumption. In consequence, before the end of the year, many farmers were regretting that they had ever voted for the Scheme.

Sir Edward Grigg, M.P., who was Chairman of the preliminary Milk Reorganization Commission, speaking at the annual dinner of the National Farmers' Union at Thornbury on 8th December, 1933, referred to the hardship caused by the rise in milk prices and added :—

"He was prepared to take responsibility for any sound measure that would really help agriculture, but he disliked being associated with a measure which he regarded as unnecessary and extremely unfortunate."—(*The Times*, 9th December, 1933.)

### **The Milk Board Fines.**

The Milk Board, which occupies large well-equipped offices in Thames House, Millbank, London, began operations in October, 1933, with a staff of 70, which was expected to be increased to 170 later. By 17th January, 1934, it had, according to the *Star* reached 400, and would be increased further "as necessity demands."

Soon came the first formidable warning from the new Board. The following announcement was issued on 29th October, 1933 :—

“ We desire to remind milk producers that if they are selling milk on a form of contract other than that prescribed by the Board, or if they are selling milk not under contract (unless they or the particular sales are exempt under the scheme), they are committing an offence for which they may be liable to a monetary penalty up to £100, plus half the price for which the milk has been sold.

“ Further, milk producers and distributors are reminded that all payments for milk sold on and after October 6th must be made through the Board.

“ It is illegal for buyers to pay producers direct.

“ The Board will at once initiate careful investigations throughout England and Wales with a view to bringing to light cases in which the Milk Marketing Scheme is being evaded, and these cases will be dealt with with the utmost severity.”—(*The Times*, 30th October, 1933.)

These were no empty threats. Within two days, it was announced that Mr. William Hollow, of Bossom Farm, St. Ives, had been fined by the Milk Marketing Board on 27th October the sum of £50 for selling milk at 5d. a quart (instead of 6d., the price fixed for the district). On 3rd November, Mr. W. J. North, of 189, High Street, Aldershot, another producer-retailer, was also fined £50. The Board announced on 11th December that Mr. Hollow had elected to refer the matter to arbitration, but—

“ Mr. North did not, within the time laid down in the Milk Marketing Scheme, exercise his right to refer the matter to arbitration. Therefore the fine is now a debt due to the Board, and steps are being taken to enforce its payment by process in the High Court.”

A third fine of £50, imposed on Mr. C. Whittome, of Brundon Hall, Sudbury, has been paid.

### “ Bootlegging ” Milk.

The following appeared in the *Liberal Magazine* for December, 1933 :—

“ It is not surprising to hear that milk smuggling is flourishing. During Prohibition the men who took whisky into America were called ‘ bootleggers,’ and we now have bootleggers in London and other towns selling contraband milk—which means milk that has not been passed through the regulations of the Board. It is being hawked from door to door at a penny less than the price ordered by the Board.

“ Shall we next have the Marketing Board’s ‘ coastguards ’ chasing through the streets after the men with illicit milk-cans ? Perhaps so ; for these Marketing Boards are determined to prevent us from getting anything cheap.”

From the *News-Chronicle* of 12th December, 1933 :—

“ Milk dealers in London agree with a statement in the *Liberal Magazine* that there are milk ‘ bootleggers ’ who sell ‘ contraband ’ supplies under the price fixed by the Milk Marketing Board. In poorer districts it is being sold at 2½d. a pint.”

## The Farmers' Discontent.

The net pool price for milk in December, 1933, after the cost of transport had been deducted, averaged  $12\frac{1}{4}d.$  per gallon net. The price for liquid milk was  $16d.$  per gallon in all regions except the South-Eastern, where it was  $17d.$  The prices for manufacturing milk were: for cheese and butter,  $3\frac{3}{4}d.$  per gallon; for condensed milk, milk powder, etc.,  $6d.$ ; for chocolate,  $8d.$ ; and for cream and other milk products,  $9d.$  Approximately 18 per cent. of the milk sold under contract was used for manufacture.

So far as the milk producers are concerned, there is only one customer. Those with the most remote and badly equipped farms receive the same price as those who are producing under ideal conditions; and, therefore, there is no encouragement to produce milk of superior quality. Complaints from the milk distributors go to the Circumlocution Office of the Marketing Board.

Apart from the hardship to consumers and the decrease in sales owing to higher prices, the Milk Scheme is producing chaos in the industry itself. For example, the farmer who produces milk for making cheese himself finds that cheese factories can purchase milk at a price far below that at which he can produce it. Consequently he can no longer carry on his business as before, and he is driven to sell his milk for liquid consumption in order to obtain the pool price. The consequence is that the Milk Board fears a surplus of milk, and is already clamouring for both subsidies and protection. Mr. S. G. Foster on 5th December, 1933, informed a meeting of Conservative M.P.'s that competition from abroad was so serious that steps would have to be taken to deal with it.

Yet, as a glance at the trade returns will show, our imports of liquid milk are absolutely negligible. If the importation of fresh milk, and condensed milk and milk powder, were entirely prohibited, it would have no appreciable effect upon the volume of sales (though the removal of this *potential* source of supply might have a serious effect upon the prices charged). Of course, many farmers are aware of this, and resent the whole system of restrictions which are entirely alien to British agriculture.

Severe criticism of the Scheme was made at the annual meeting of the Exeter Branch of the National Farmers' Union on 22nd December, 1933. Mr. S. E. Odgers, chairman of the Exeter and District Dairy Farmers' Association, declared that the Milk Scheme was "nothing less than chaos."

"We were told (he said) that it was a producers' scheme. That is not so. We were told that the whole object of the scheme was for the producer to receive a bigger share of the amount of money paid by the public. The public pay more money, and we get less."—(*Western Morning News*, 23rd December, 1933.)



The West Riding of Yorkshire branch of the National Farmers' Union on 12th January, 1934, unanimously adopted a strongly worded report on the working of the Scheme.

"So far," the report said, "the scheme in the Yorkshire area had been more than a failure; it had been a disaster."—(*Evening Standard*, 12th January, 1934.)

### OTHER MARKETING SCHEMES.

Undeterred by all the protests from consumers and producers aroused by the bacon and milk Schemes, Mr. Elliot and his colleagues in the Government and in the National Farmers' Union are determined to pursue their way, and other Schemes are being brought into operation or are in course of preparation. In a speech at Sadler's Wells Theatre, London, on 4th December, 1933, Mr. Elliot said :—

"We have taken some drastic steps, but they are nothing to the steps we are going to take in the immediate future. As the road notices say, 'You have been warned.' This movement will not stop until we have had a lot of terribly nasty food at extremely high prices."

While Mr. Elliot's words are not to be taken altogether seriously, this "movement" must be stopped. And it is for Liberals, who alone believe in economic liberty, to lead the opposition to it.

### The Potato Scheme.

Import restrictions and a Marketing Scheme have already been introduced for potatoes. The following appeared in the *News-Chronicle* on 1st September, 1933 :—

"Potato imports are to be cut down. It was announced last night by the Ministry of Agriculture that during the last four months of the year imports from Holland will not exceed 8,000 tons. Belgium will send not more than 250 tons. Other countries which normally do not export potatoes to Britain at this time of the year have been told that they must not send any."

A Scheme under the Agricultural Marketing Acts for the marketing of potatoes was approved by the House of Commons on 19th December. The Scheme sets up a Potato Marketing Board, requires that producers shall register, and prohibits producers who are neither registered nor exempt from selling potatoes in Great Britain or elsewhere. If in the Board's opinion, there is likely to be an excess supply, it may restrict the quantity to be sold; and the Board has the usual powers concerning grading, packing, transport, etc. Infringement of the Board's regulations is punishable by a fine of £100 or a sum representing £5 per acre of the offender's potato acreage, whichever is the greater.

## **Eggs and Poultry.**

It was announced on 9th October that an Agricultural Marketing Reorganisation Commission had been appointed to prepare a Scheme for eggs and poultry under the Agricultural Marketing Acts.

It may be noted, as marking the co-operation between Tory and Labour Socialists, that the Chairman of this Commission is Dr. Christopher Addison, who was Minister of Agriculture in the Socialist Government. He is an advocate of Import Boards and the complete socialisation of industry.

## **Fat Stock.**

A Reorganization Commission for the fat stock industry was appointed on 21st December, 1933, with Colonel Lane-Fox as chairman.

Various other schemes, including one for soft fruit, are also under consideration.

## **Restriction of Beef Imports.**

Mr. Elliot informed the House of Commons on 20th December, 1933, that :—

Imports of fat cattle from the Irish Free State from that date until 31st March, 1934, were to be limited to 50 per cent. of the number imported in the corresponding period of 1932-33.

The importation of beef and veal, and beef and veal offals, from the Irish Free State was to be completely prohibited. (Ireland used to be one of the best markets for British manufactures which we exchanged most profitably for Irish cattle and dairy produce.)

Canada (the only other country sending fat cattle) had agreed to limit her exports in the first quarter of 1934 to the quantity sent in the corresponding period of 1933.

Imports of foreign canned beef were to be regulated.

As regards chilled beef, imports from foreign countries were to be reduced by the same extent as in the first quarter of 1933.

As arranged at Ottawa, imports of frozen beef were to be 30 per cent. below those for the first quarter of 1932.

## **THE SEA-FISHING ACT.**

Another restrictive measure, somewhat similar to the Agricultural Marketing Act, is the Sea-Fishing Act, 1933, for which Mr. Elliot is also responsible. This Act empowers the Board of Trade to issue Orders regulating the landing of fish not of British taking, and such Orders may limit the quantity and description of foreign-caught fish that may be landed. It also empowers the Minister of Agriculture and the Secretary of State for Scotland to make Orders for securing that nets carried in British fishing boats " shall be constructed in such manner, and have a mesh of at least

such size as may be prescribed ” ; and also to make Orders laying down the minimum size of various kinds of sea-fish that may be sold. Soon after the Act was passed, a number of Orders were duly issued, bringing its various provisions into force. Thus it is now an offence, punishable by a fine of £50, to sell a dab less than nine inches long. And a fisherman who uses the wrong sort of net is liable to three months’ imprisonment, a fine of £50, and forfeiture of the net.

One effect of the first three months’ working of this Act is shown in the following table, which compares the wholesale prices at Billingsgate Market on 31st July, 1933 (the day before the Act came into operation), with those on 31st October, 1933 :—

							<i>Price per stone.</i>	
							July 31.	Oct. 31.
							s. d.	s. d.
Haddock	...	...	...	...	...	3	10 5 5	
Cod	...	...	...	...	...	3	11 5 2	
Plaice	...	...	...	...	...	7	6 11 4	

It will be seen that haddock rose 1s. 7d. a stone ; cod 1s. 3d. a stone, and plaice 3s. 10d. a stone, in the period.

### **INTERNATIONAL WHEAT RESTRICTIONS.**

As already shown, the Wheat Act now in force does not introduce any form of quota restrictions, but merely provides for the payment of a subsidy on home-grown wheat. Like other subsidies at home and abroad (notably the British beet sugar subsidy, which is dealt with later) it has a pernicious effect in encouraging the production of wheat at a time of glut, though the Wheat Act does contain safeguards against any considerable increase of acreage.

In many other countries, especially France, Germany and Italy, the encouragement of unprofitable wheat production, aided by high tariffs and drastic quotas, or even the prohibition of imports, has gone to fantastic lengths. In consequence, the world prices of wheat in the open market have fallen to record low levels.

An International Conference met in London in August, 1933, attended by representatives of the thirty principal wheat producing and importing countries, under the Chairmanship of Mr. R. B. Bennett, the Prime Minister of Canada, and reached an Agreement in the remarkably short space of five days—showing that it is far easier for countries to agree to restrict trade than to liberate it. The chief exporting countries agreed to reduce their exports during the next two years, and the importing countries agreed not to encourage an increase in their own production. A more desirable but less definite part of the Agreement was that if prices rose by some 20 per cent. above their present level, and if the rise were sustained for not less than four months, then the importing countries would begin to undertake an adjustment of customs’ tariffs and quotas.

This Agreement is a very clear example of the usual progress of Protection. First, restrictions are introduced which raise prices and prevent the exchange of commodities; then more restrictions are introduced to deal with the apparent "over-production."

Sir Herbert Robson, President of the London Corn Trade Association, commenting in a letter to *The Times* on the impending Wheat Conference, said:—

"Is it not possible that far too much attention is being paid to over-production and not sufficient to under-consumption of wheat? According to Broomhall the oversea movements of wheat for the 12 months ended 31st July, 1933, as compared to the 12 months ended 31st July, 1929, are as follows

						<i>Tons.</i>
To 31st July, 1933	...	...	...	...	...	16,473,000
To 31st July, 1929	...	...	...	...	...	24,860,000
Decline	...	...	...	...	...	8,387,000 "

Sir Herbert Robson added that there had been an even more enormous decline in values; but that in the consuming countries on the Continent of Europe, the inhabitants had never since pre-war days enjoyed cheap bread. He continued:—

"Ten years ago Germany, France and Italy imported over 6,000,000 tons of foreign wheat. To-day their imports are negligible. During these 10 years their native production has increased, but side by side with this there has been, owing to the high local price of wheaten bread, an enormous increase in the consumption of rye, maize, and potato flour as substitutes for wheaten bread.

"I submit that the first aim of the Conference should be to ensure that, in a world of plenty, there is an increased consumption of man's most necessary food—namely, good, wholesome wheaten bread. Let them endeavour to make it possible to purchase such bread, at any rate at prices which are no higher than those prevailing in this country."—(*The Times*, 21st August, 1933.)

The price paid for wheat in the protected markets on the Continent is two or three times as much as that charged by the exporting countries. On this point, the following table is instructive. It is based on the statistics of the International Institute of Agriculture, Rome, quoted in a letter by Mr. F. W. G. Urquhart in *The Times* of 25th August, 1933:—

*Average Prices of Wheat and Other Cereals, expressed in gold francs per quintal, in January, 1933.*

		Exporting Countries.	London and Liverpool.	Protected Continental Markets.	Variation between Exporting & Protected Markets.
					Per cent.
Wheat	...	9·22	9·74	24·84	169
Oats	...	6·07	7·27	15·12	149
Maize	...	5·33	7·53	15·36	188

These facts indicate that the best remedy would be a *lowering* of prices in the protected markets, with a consequent increase of consumption, which would benefit consumer and producer alike. But so obvious a solution does not commend itself to the world's present rulers.

### THE BEET SUGAR SUBSIDY.

The subsidy on British beet sugar affords an outstanding example of the lengths to which Protectionists will go in encouraging uneconomic production regardless of the cost.

The proposal to grant the subsidy was first made by the Labour Government in 1924. The Chancellor of the Exchequer, Mr. (now Lord) Snowden, outlining the Government's plans for relieving unemployment, said in the House of Commons on 30th July, 1934 :—

" The Government have accepted the principle of Exchequer assistance for the sugar beet industry. . . . An Excise Duty of 9s. 9d. would be put upon beet sugar manufactured in this country, and we propose that they shall get a subsidy of 19s. 6d. per cwt. . . . We suggest the rate of 19s. 6d. should be subject to a falling scale. It might be reduced to 13s. in four years and again reduced to 6s. 6d. after a further three years, and at the end of 10 years it might be removed altogether."

The scheme was not carried into effect by the Labour Government, because Parliament adjourned the next week for the summer recess, and in October, 1924, a General Election was precipitated. The Conservative Party, however, adopted the Labour proposals, and gave the Subsidy at exactly the same rates and for the same periods as Mr. Snowden mentioned.

The Liberal Party opposed the project at every stage, but it was carried by Conservative and Labour votes.

The direct cost of the subsidy and of the preferential rebate of duty on beet sugar have been as follows :—

	Rate of Subsidy.	Subsidy Paid.	Preferential Rebate.
	Per cwt. s. d.	£	£
1924-25 . . . . .	19 6	429,040	—
1925-26 . . . . .	19 6	1,066,090	259,000
1926-27 . . . . .	19 6	3,225,859	583,000
1927-28 . . . . .	19 6	4,309,260	761,000
1928-29 . . . . .	13 0	2,854,239	1,109,000
1929-30 . . . . .	13 0	4,229,730	1,709,000
1930-31 . . . . .	13 0	6,022,972	2,562,000
1931-32 . . . . .	6 6	2,135,000	2,006,000
1932-33 . . . . .	6 6	2,356,000	1,963,000
1933-34 (est) . . . . .	6 6	2,900,000	2,000,000
<b>TOTAL . . . . .</b>		<b>29,528,190</b>	<b>12,952,000</b>

It will thus be seen that in its ten years' course, this scheme has cost the taxpayers some £40,000,000. This sum is, of course, far in excess of the value of the sugar produced. The price of imported raw sugar has fallen to about 5s. per cwt. ex duty, but even in the last stage of the subsidy, when it was at its lowest rate, the subsidy amounted to an average of 7s. 3d. per cwt., and the effective duty preference was 3s. 6d., making a total of 10s. 9d., or twice the value of the sugar produced.

From the point of view of British agriculture, the scheme has been almost entirely useless. It has neither increased production nor given more employment. The crop of sugar-beet has not been in addition to, but in place of, other crops. The principal crops displaced by the beet are, as might be expected, other roots—namely, mangolds, swedes and turnips, which have a greater yield per acre, and give more regular employment than beet. Furthermore, the rate of agricultural wages in Norfolk, where about one-quarter of the entire beet crop is grown, is one of the lowest in the country.

As for employment in the factories, the Minister of Agriculture stated in the House of Commons on 12th May, 1932: "The average number of persons employed in beet sugar factories each year since the beginning of the subsidy period is about 7,130, of whom 5,360 have been employed during the manufacturing seasons, and the remainder whole time." The manufacturing season lasts only three months—and less than 1,800 persons are employed outside that period.

It would have been far cheaper for the British taxpayer, and more beneficial to the world in general, if the Government had bought all the sugar from abroad and given it away, and paid those engaged in the British beet-sugar industry full wages for doing nothing. Instead they have for ten years wasted millions of pounds upon an industry which could remain in existence no longer if the assistance were withdrawn. In addition, they have dealt a severe blow at our overseas trade, as illustrated by the following extract from *The Times* City Notes of 2nd November, 1933:—

"Among the points that British shipowners think should be taken into account in an examination of the difficulties now being experienced . . . is the subsidising of the growing of beet sugar in this country. . . . Taking the rate of freight from Mauritius to the United Kingdom at about 19s. a ton, it is estimated that the displacement of imported sugar by subsidised home-grown sugar means a loss of gross shipping earnings of about £420,000 a year, in which, doubtless, British owners would have participated. A large proportion of such gross freight earnings would have been expended in wages of the ships' crews and in port expenses. By providing employment for a certain number of vessels the carriage of the sugar would have indirectly benefited all vessels by helping to maintain the demand for tonnage and so to support rates of freight. As it is, these advantages have been lost to shipping."

## Future Plans.

Unfortunately, the beet-sugar subsidy is not to be allowed to come to an end after it has run its allotted course of ten years. Like other Protectionist experiments introduced on the plea that they are temporary—e.g., the Dyestuffs Act and the Safeguarding of Key Industries—it is now apparently to be continued indefinitely. The subsidy is to be given for an additional year in its present form, and after that it will be modified and combined with a Scheme under the Agricultural Marketing Acts.

The following statement appeared in the *Daily Telegraph* on 23rd November, 1933 :—

" Mr. Elliot, the Minister of Agriculture, is preparing an amendment to the Marketing Act to bring the sugar industry within its scope.

" The refiners and sugar beet factories have made up their differences and are planning a united English sugar industry. Under the Marketing Act there would be a growers' marketing board and a processors' marketing board, which would work together in giving this plan effect.

" Mr. Elliot has already made it plain that continued financial assistance from the Treasury is contingent upon such harmonious planning. If it proceeds smoothly, I understand that a 10 years' development programme for the industry will be put into force."

Thus, it would appear, Mr. Elliot is now promising money (out of the taxpayers' pockets) as a reward for " harmonious planning."

## THE DYESTUFFS ACT.

Another restrictionist scheme that is being continued by the National Government is the Dyestuffs (Import Regulation) Act. This Act, originally passed by the Coalition Government of Mr. Lloyd George and Mr. Bonar Law in 1920, was to be " for 10 years and no more," but after that period elapsed, it was continued annually by the Expiring Laws Continuance Act for a further three years, and is now made permanent. Under the original Act, the importation of all dyestuffs was prohibited except under licence issued by the Board of Trade; under the new permanent Act, certain dyes, (synthetic organic colours and colouring matters) were, as from 27th December, 1933, permitted to be imported without licence—but on payment of a duty of 20 per cent; while for the remaining dyestuffs, the licence system was continued.

This system has made dyes dearer, and imposed great difficulty in the way of obtaining them—and after 13 years of monopoly, the British dye industry was producing only two out of the eighteen chrome colours. The restriction upon free access to the best and cheapest dyes is one of the handicaps that have beset the textile trades since the war. Opposing the Second Reading of the present Government's Bill in the House of Commons on 18th December, 1933, Sir Percy Harris said :—

" The figures given in the House two or three years ago showed that there were over 7,000 people employed in the industry. I do not know

what the figures for the textile trade are, but I do not think it would be an exaggeration to say that 500,000 people in Lancashire and thereabouts are dependent for their living on the well-being of the cotton trade. . . . In the report circulated by the colour users in the cotton trade it was pointed out that one colour-using firm alone in the last 10 years had dismissed more workers than the whole of the number employed in the dye industry."

### MR. HAROLD MACMILLAN'S PROPOSALS.

Lastly, brief reference may be made to the proposals recently put forward by Mr. Harold Macmillan, M.P., in a book called *Reconstruction*, the latest example of Tory-Socialist "planning." The main scheme of the book is concerned with industrial reorganisation, not on the ordinary Socialist lines of State ownership and political control of industry and finance, but rather of control by industrialists who are to be given State powers. In Mr. Macmillan's own words: "The organisational structure described in this book provides for the creation of what may be called Monopolies of Trusts." These bodies are to be called National Industrial Councils, and one is to be set up for each great national industry, the activities of which "will be co-ordinated and directed by the protective supervision of the Council."

Mr. Macmillan tells us that "In their effort to achieve orderly production and marketing, industrialists are hampered and frustrated by two main obstacles." The first is that "a minority of 'rugged individualists' may arrest the progress," and the other that the new conditions may "attract fresh entrants to the industry." However, statutory powers are to be given to crush both of these sources of difficulty. Competition is "chaos"; monopoly is "order"!

Under Mr. Macmillan's scheme, as under Socialism, or under "marketing," Free Trade is of course out of the question. Indeed the author makes the following remarkable statements on page 19 of the book:—

"Free Trade merely means that the markets will go to those who can produce the same quality of goods with the lowest paid labour. Free Trade, when the period of effective expansion has ended, can only mean competition in wage levels and general labour costs. It presages the triumph of those nations which are the least cultured and the least humane, and the downfall of those people who regard production as a means to life rather than life as a means of production."

If this is true, it is strange that Great Britain has for so long withstood the rivalry of primitive races; and still stranger that under Free Trade she was able to export twice as much manufactured goods as any great Protectionist country.

Tariffs and quotas are, thinks Mr. Macmillan, excellent so far as they go, and they will be continued for the industries that do not possess one of his Councils. But where there is a National Industrial Council, it will make bulk purchases, and act like the Labour Party's



Import Boards. But Mr. Macmillan wants to control export trade as well as imports, and he therefore proposes that the Councils should act together, through a National Clearing House, to "coordinate" and control all foreign trade. His actual proposals for controlling import and export trade are very vague, but it is clear that they involve a degree of interference unknown in any country except Russia, combined with a complexity from which the Soviet system is free. The one thing certain is that if the blunders which have resulted from "planning" the production of bacon, milk, etc., were to be extended to our great industries, the days of Britain's industrial greatness would soon be brought to an end.

### THE EVILS OF QUOTAS.

Reviewing the quota system and trade restrictions as a whole, it will be seen that the following are among their commonest results :—

1. They *raise prices*, and place a burden upon the majority of the community for the sole benefit of a minority.

2. They are *unjust to the efficient producer*, who is hampered in his business methods, and is compelled to charge the same price as his inefficient competitors.

3. They involve *heavy trading losses*, which are borne not by the individuals who make them, but by Committees or Boards or the State, and fall eventually upon the general body of consumers or taxpayers.

4. They involve *widespread political control* in industry and commerce.

5. They deprive the country of the benefits of *free competition*.

6. They prevent trade from *flowing freely into the most profitable channels*.

7. They *hamper personal initiative*, and stifle individual enterprise, to which past developments of British industry are mainly due.

8. They are an unnatural and unnecessary *limitation upon personal liberty* to buy and sell in the manner, quantity and place desired by the individual.

9. They are an attempt to create prosperity by creating *scarcity*.

10. They are *ruinous to the shipping industry* upon which the prosperity of Great Britain depends.

11. They readily lead to *international friction*, and to wars of quotas and counter-quotas.

12. They are a vicious form of *economic nationalism*, and are based on the false idea that a country can help itself by damaging the interests of other countries.

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## APPENDIX.

### OBITER DICTA.

#### **The Prince of Wales on Economic Nationalism.**

The Prince of Wales proposed the toast of the new American Ambassador, the Hon. Robert Bingham, at a dinner given by the Pilgrims in London on 30th May, 1933. In the course of his speech, the Prince of Wales said :—

“ If our present sufferings have the result of bringing home to us all the vices of economic nationalism, then this great depression may well pave the way for a future permanent prosperity for all of us, and bring us nearer to that ideal day when there will be no more poverty.”—(*Scotsman*, 31st May, 1933.)

#### **The American Ambassador on Protection.**

In his reply Mr. Bingham said :—

“ For years the majority of the American people have believed that the higher the tariff the higher wages and the general level of prosperity in the country would be. Now they have learned the grim lesson that with the highest tariff the country has ever had more than 13 millions have no wages at all. By bitter experience they have learned how unfounded this tariff doctrine is. They have learned how impossible it is to continue selling when they do not buy, and they are at last prepared through proper agreement to lower tariff barriers, so that international trade may begin to move again.”—(*Scotsman*, 31st May, 1933.)

#### **Mr. Baldwin on Trade Restrictions.**

Mr. Baldwin said in the House of Commons on 23rd June, 1932 :—

“ All the restrictions taken together will show the House what an appalling amount of grit there is in the whole machinery for the circulation of goods, and until that grit is removed and the machinery is lubricated little progress can be made. . . .

“ Another form of restriction . . . is the question of quotas. The quota is a very dangerous weapon.”—(*Official Report*.)

### **Mr. Chamberlain on Imports and Exports.**

Mr. Neville Chamberlain said in an address to the Leeds Chamber of Commerce on 24th January, 1933 :—

“ There are certain fundamental truths which will out, even though they may lie concealed for a time. In the long run, all payments to a foreign country must take the form of sending goods or rendering services.”—(*News-Chronicle*, 25th January, 1933.)

### **Mr. Runciman on the Quota System.**

Mr. Runciman said in a speech at St. Ives on 2nd February, 1933 :—

“ There is still a great market for Britain in Germany. I only wish the German Government would put a stop to that insane quota system which has become the curse of European trade. An attempt to shackle the amount of exports entering Germany must cramp her own industries.”—(*News-Chronicle*, 3rd February, 1933.)

### **Lord Runciman on Subsidies.**

In an interview published in the *News-Chronicle* on 15th December, 1933, Lord Runciman said :—

“ The policy of the subsidy is neither sound trading nor sound finance. . . . Neither a company nor a country can get out of a dirty mess by defying natural laws.”

### **Quotas and Shipping.**

Lord Essendon, presiding at the General Meeting of the Houlder Line, in London, on 15th January, 1934, said that the tonnage owned by the company had been reduced in the last three years from 86,390 tons to 64,990 tons—a reduction of approximately 25 per cent.

“ The restriction (he said) on meat imports during the past 18 months has produced a progressively serious effect upon the revenue-earning capacity. The shipments of meat from South America to this country during 1933 were further reduced and resulted in a reduction of freight for all the lines of over £200,000, compared with the previous year. Again, shipments to Continental destinations—which some few years ago were very considerable—are now practically non-existent. Under our Government quota arrangements additional restriction on frozen meat shipments will take effect during 1934, with further consequent reductions in prospective earnings.”

“ Furthermore, it is only too evident that under existing conditions we cannot contemplate any extensions of our fleet because we have no reasonable expectation of any development of business so long as restrictions and quotas continue.”—(*The Times*, 16th January, 1934.)

### **The Co-operators' View.**

The Co-operative Party, though in alliance with the Labour Party, is opposed to Import Boards and other restrictions upon trade. At the Annual Conference of the Co-operative Party at

Nottingham on 14th April, 1933, Mr. Alfred Barnes said in his Presidential address :—

“ The wholesale introduction of protective duties upon imported food-stuffs, the application of subsidies, quotas, and regulations of imports to an increasing number of food commodities, the deliberate monopolistic object of the Agricultural Marketing Bill, were cumulative evidence that trade growth was being removed from determination in the open market to the bettering of vested interests on the floor of the House of Commons.”—(*Scotsman*, 15th April, 1933.)

### **Testimony from France.**

France has had a longer experience of quotas than this country, and an address on the subject was given at the French Chamber of Commerce in London on 5th December, 1933, by M. Jean Proix, Directeur du Comité d'Action Economique et Douanière.

“ M. Proix analysed the menace of the quota system. It had disturbed the healthy traffic in goods, he said, and had created a monopoly for the benefit of those importers who had been granted import licences under a faulty system, which had resulted inevitably in an increase in prices at the expense of the consumer. The quota system, once a small infant, was now a man and threatened to become a giant. . . . The question of individual freedom was at stake.—(*The Times*, 6th December, 1933.)

### **The MacDonald-Roosevelt Statement.**

As a preliminary to the World Economic Conference, Mr. Ramsay MacDonald visited Washington and held conversations with President Roosevelt from 22nd to 26th April, 1933. At the close of the discussions, a statement was issued jointly by Mr. MacDonald and President Roosevelt, which contained the following passage :—

“ Commercial policies have to be set to a newer orientation. There should be constructive effort to moderate the network of restrictions of all sorts by which commerce is at present hampered, such as excessive tariffs, quotas, exchange restrictions, etc.”

### **Expert Commission for the World Economic Conference.**

The following are extracts from the Draft Annotated Agenda prepared for the World Economic Conference by the Preparatory Commission of Experts :—

“ Finally, there must be greater freedom of international trade. It has already been pointed out that one of the most significant features of the present crisis is the fall which has taken place, not only in the value, but in the quantum of world trade. This fall has been partly caused, and has certainly been intensified, by the growing network of restrictions which have been imposed on trade during recent years. Every country seeks to defend

...by imposing restrictions on imports, which in the end involve a contraction in its exports. All seek to sell but not to buy. Such a policy must inevitably lead to an increasing paralysis of international trade. Governments should set themselves to re-establish the normal interchange of commodities."

The Preparatory Commission specifically condemned the quota system, because—

"Quotas nullify the advantages resulting from commercial treaties by making their provisions ineffective as regards commodities to which the restrictions are applied."

### A Sidelight from Russia.

In Soviet Russia there has been State control of internal and external trade for many years, and a "Five-Year Plan" which has given rise to the catchword "planning" among Socialists elsewhere. By contrast with "the droves upon droves, the hundreds of thousands, of pigs," which worry Mr. Walter Elliot, the position in Russia is very different, as shown by the following message published in *The Times* on 6th December, 1933 :—

"There were rejoicings in official quarters in Moscow during the week-end over an unusual event—a trainload of fat pigs arrived to relieve the 'meat famine' of the capital. The best and most authoritative account of the arrival is given in *Pravda* (issue No. 329), which represents the occasion as a red-letter day in the annals of Soviet food supplies organised by the State.

"According to *Pravda*, Comrade Mikoyan, a member of the Council of People's Commissars, personally met the train at the Moscow station. The pigs were accompanied by a brass band playing triumphant music, and delegations of workmen from the factories of Moscow were there to 'see the sight.' Commissar Mikoyan and his staff walked along the ranks of pigs, after which Commissar made a speech in which he declared that he had not seen such a fine lot of pigs for a long time."