

# THE CONSERVATIVE

A QUARTERLY JOURNAL BY THE ALLIANCE OF CONSERVATIVES AND REFORMISTS IN EUROPE



# FREE TRADE

HAVE WE LOST THE ARGUMENT?

Deirdre Nansen McCloskey

Patrick Minford

Andrew Pak Man Shuen

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# THE CONSERVATIVE

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**EDITORIAL: FREE TRADE: HAVE WE LOST THE ARGUMENT?**

"Free trade, one of the greatest blessings which a government can confer on a people, is in almost every country unpopular". So wrote Lord Macaulay, the poet, historian and politician, in 1824. His words were true then and are, if anything, even more true today. Which is bizarre when we consider the improvement that free trade has brought to the human condition during the intervening two centuries.

As Deirdre McCloskey, who writes in this issue, has chronicled at length, the last two centuries have seen a rise in living standards on a different scale from anything homo sapiens had experienced up to that point. In Macaulay's time, almost everyone subsisted on around \$3 a day. The life of a peasant farmer in Poland or Ethiopia or India or Japan would have been recognisable to his Iron Age ancestors. Since then, our species has increased its wealth by, at a conservative estimate, 3000 per cent.

True, there are still a few unfortunate souls living on \$3 a day. These wretches are overwhelmingly concentrated in countries that have refused to join global markets. North Korea, for example, regards self-sufficiency ("Juche") as the supreme goal of public policy.

Yet clever people continue to campaign against an economic system that eradicates poverty wherever it is practised. In industrialised countries, the fear is that free trade will shift jobs to places with lower wage levels; in developing countries, that wealthy corporations will take over. As Matt Ridley writes, both fears were logically



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disproved 200 years ago by David Ricardo; and yet, they linger.

Why? Why do rich countries elect protectionists like Emmanuel Macron and Donald Trump? Why do poor countries cling to the policies that are demonstrably arresting their development? There are three explanations, one psychological, one aesthetic and one political.

First, free trade is counter-intuitive. Our hunter-gatherer instinct is to provide against famine, to hoard. The idea of depending on others for basic necessities *feels* wrong. Never mind that Singapore, which imports even its drinking water, transformed itself from a mosquito swamp into a gleaming city state simply by dropping barriers to trade. Such facts are up against millions of years of evolution.

Which brings us to the aesthetic objection. My children's homework is full of stories about nasty corporations exploiting textile workers in Bangladesh and Vietnam. Sure, you and I

wouldn't want to work in a Vietnamese sweatshop. But we have not spent our lives bending our backs in rice paddies. We have not fled villages that lacked electricity, clean water and schools. Employees of foreign companies in Vietnam earn 210 per cent of the national average income, and their wages are rising.

It's the political objection, though, that motivates the Trumps and the Macrons. Free trade brings dispersed gains but concentrated losses. Importing, say, cheap Chinese steel will make almost everyone a bit better off, as prices fall, productivity rises, new jobs are created and money is freed up for other things. But voters, being human, will attribute that rise in living standards to themselves, not to free trade. The losers, by contrast – the small number of workers in industries that are undercut – will blame the government and vote accordingly.

Can free traders win? Yes. It's precisely the counter-intuitive ideas that can be proved with logic. Aesthetic objections to the industrialisation of the Third World ("poverty, to be scenic, should be rural", as the Victorian novelist Anthony Trollope put it) are not shared by the workers in those industries, who compare their lives to their parents'. And the political objections crumble in the face of success. No one in Hong Kong or New Zealand seriously wants to go back to tariffs.

In short, we have the better songs, some of them in the pages that follow. So, take a deep breath, and start singing. 🐾





# HOW TO MAKE A SUCCESS OF BREXIT

by Patrick Minford

**T**he recent exchanges between EU leaders and the May government have shown a huge gap between the two sides' views. Yet it is commonly assumed that there must be a deal or all hell will break loose. This is simply not the case.

Put on one side the need for the nuts and bolts of trade to continue, which they will and must: these include the delivery of the usual computerised customs service and the adherence to the normal rules of mutual agreement on standards observed between all countries. Only a lunatic would not follow such basic rules of behaviour, since not to do so is actually illegal.

When it comes to the substantive policy matters, failure to agree is quite possible. The EU wants the rights of its citizens to be justiciated by the ECJ. It may demand continued free migration. It may want large sums of money. If these are the conditions for a trade agreement, there will not be one; nor will these other items be agreed. So imagine Britain is simply left with no agreement. What would occur?

EU citizens would continue as now with de facto rights of abode, provided similar rights accorded to our citizens. Free migration from Europe would stop. Britain would pay the EU no money, as it is at liberty to do.

But what about trade? Would Britain not face trade barriers selling into the EU? And would Britain not impose similar barriers to their exports sold to us? Would all this not destroy the British economy? This is where the misunderstandings come thick and fast, for two reasons. On the British side, we have never much thought about these matters, as they have all been handled by Brussels on our behalf for the past 45 years. On the EU side, a view of trade rules that says "exports good, imports bad" – the doctrine of mercantilism; so they believe that, as their exports to Britain are a smaller percentage of their GDP than Britain's to them, we must come off worse if trade barriers go up between us. Yes, they will suffer but Britain will suffer more because of this preponderance

**The UK's best option is to go unilaterally for free trade.**

of British sales to the EU in the economy.

Matters have not been helped by the adoption of similarly mercantilist thinking by the Treasury and its allies in the IMF, the OECD, the NIESR and the LSE. This has come in the guise of a "gravity" model which alleges that the UK cannot easily sell more on world markets and hence should put its efforts into selling to the EU, its closest and most "natural" market. This model, highly fashionable among trade economists, implies that protection is often a good thing and EU protection boosts British own industries selling into Europe. It assumed that British industries have monopoly positions where we currently sell and face monopolies in other markets.

Just as Keynesianism captured the economics profession after the war and took a lot of dislodging in favour of the return to classical thinking about money, inflation and the economy, so in trade this neo-protectionist view has displaced the classical view that





world markets are competitive and that a country's exports to these markets depend on its comparative advantage created by supply-side factors such as market openness and supplies of skilled labour. Yet it is plain enough that with the advent of globalisation and the elimination of distance by containerisation we live in a world well described by the classical view. This is why the government of Theresa May has proclaimed that it will pursue free trade as the post-Brexit policy. Both policy common sense and the evidence favour this approach. How else would one account for the huge rise in British exports of services around the world, and especially to America and other non-European countries? Gravity modellers claim that trade patterns following "geography" prove that their model is right. It does no

**Yes, the EU would levy its tariffs on our exports. Yes, other countries would maintain their existing tariffs against us. But in a competitive world market where Britain would be selling at world prices, this has no effect on Britain's national welfare.**

such thing, as the same broad patterns also emerge from the classical model. What differs in the classical model is the causal competitive process, which conforms to a market-orientated view of the economy and also accounts for such crucial factors as the boom in UK services trade.

Now consider how the classical model treats the Brexit question. The key element is the high rate of European protectionism on food

and manufactures. This erects a peripheral wall around the EU, keeping up the prices of imports from the rest of the world and so raising prices to EU consumers for not just imports but all EU-made products competing with them. In both sectors the protective rate (from tariffs and non-tariff barriers) is around 20 per cent, raising UK consumer prices by around eight per cent. This in turn artificially boosts farming, the price of land and the inefficient parts of the manufacturing sector. By removing it with Brexit and going to free trade Britain would reverse this and in the process raise consumer welfare and productivity, with a four per cent boost to GDP.

There are two routes to free trade: a negotiated route via Free Trade Agreements, with the EU and then with significant others, and the route of

unilateral elimination of our own protection, such as happened in 1846 when Peel abolished the Corn Laws. He got fed up with foreign recalcitrance over reducing trade barriers and simply struck out with unilateral free trade. Modern Britain too could well get fed up as the mercantilist EU insists on special demands for its industries or its migrants and even other countries hold out for demands Britain cannot meet. The FTA route to free trade depends on others cooperating in genuine free trade.

It might just work and go well. One could hope so.

But realism suggests it could get bogged down and derailed. So suppose it falls at the first fence, with no EU deal. What is the UK's best

option? It is to go unilaterally for free trade, with the gains described above. Britain would simply say to Brussels: look, we abolish these barriers against you anyway and by implication under WTO rules we will do so against all others too. We thus reduce consumer prices, increase competition and productivity and boost GDP.

Yes, the EU would levy its tariffs on our exports. Yes, other countries would maintain their existing tariffs against us. But in a competitive world market where Britain would be selling at world prices, this has no effect on Britain's national welfare. The reason is straightforward: these world prices reflect world demand and supply and the EU tariffs do not affect the EU's total demands and so do not affect world prices at all. All they do is cause EU demands to move towards home products away from us, but as they do so their home output is now not available in third markets where Britain will make up the deficit.

The EU tariffs are as it happens rather low – around 3.5 per cent on manufacturing industry. We estimate that they can easily absorb this cost in the short run when sterling is low and boosting their profits; and in the long run they can raise productivity to offset it.

As for British farmers, after Brexit they will face world

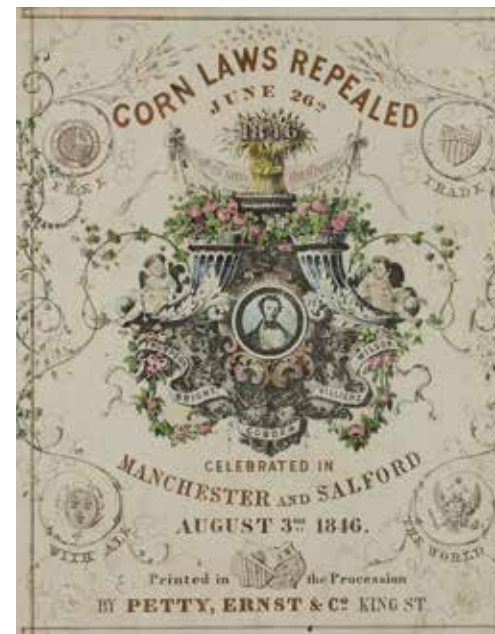
prices: protection of the CAP and high EU tariffs will be removed. They will sell on world markets for food instead of on European markets where prices are artificially raised. So EU tariffs on British farming are simply irrelevant. Britain will revert to helping struggling farmers whose activities are necessary for the rural environment directly from the public purse. Britain has many large and efficient farmers who will change their practices and adapt by raising productivity.

So no deal is better than a bad deal. Indeed, what the above shows is that no deal is better than any deal. But of course Britain will try to get a sensible EU deal in good faith, simply to maintain good relations even if it is not so sensible in pure economic terms. 🐕



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## FREEDOM GIVES ORDINARY PEOPLE THE BOLDNESS TO INNOVATE

by Deirdre Nansen McCloskey

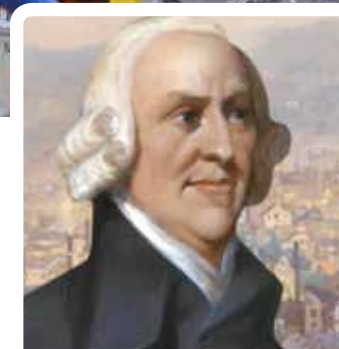
All around the world, politicians are punished for pursuing international free trade – for not putting America or Britain or Moldova first. That is the way voters divide up, and always have done. Trumpism is nothing new.

English medieval guilds defined “international” as “anything outside Norwich” and applied tariffs to match. The United States was fixated on not having Norwich-type traffic between states – but in international terms it was

**Allowing every man [and woman, dear] to pursue his own interest in his own way, upon the liberal plan of equality, liberty, and justice.**

protectionist from the beginning, encumbering its small international trade with “scientific” tariffs.

Yet the distinction between domestic and international free trade is really nonsense. What matters, and has always mattered, is freedom to trade, *tout court*. Free trade, with no additional adjectives, is a good principle at every point on the scale, from your household up to the World Trade Organisation.



The Blessed Adam Smith described it as “allowing every man [and woman, dear] to pursue his own interest in his own way, upon

the liberal plan of equality, liberty, and justice.” If you are not allowed to set up as a professional economist because the state requires an expensive licence and an oath of allegiance to free trade, you are not being allowed to pursue your own interest – an interest that benefits the voluntary



customers of your splendid economic advice. If you live in the United Kingdom and are subject to a tariff when you try to buy a car from Tatsuro Ishishi, who lives in Japan, you do not have liberty and justice, and are sacrificed to car manufacturers in Coventry (should there be any left).

In other words, freed international trade is merely an application of the principle of non-violent agreements, exchange-tested betterment. We call it liberty. By a voluntary agreement between me and thee, we are better off.

The state does not “protect jobs” in any useful way by stopping trade, any more than you would if you refused to trade with your grocery store or your employer. Grow your own wheat. Make your own accordion. The Trump administration’s recent indignation against Canadian “dumping” of lumber is silly. For one thing, if Canadians want to subsidise American consumers by letting Canadian forestry companies harvest timber on public lands for free, good on them, and good on us Americans, who get the cheap lumber. For another, the more expensive lumber

favoured by the new and notably gormless American secretary of commerce will hurt other Americans. If the UK protects British steel makers, British users of steel are made worse off.

**All of which is to say that liberty in society, politics, and law, expressed in liberal economic policies, made us rich.**

“Protecting jobs” is a fool’s errand. On his trip to China, Milton Friedman was shown an excavation. He asked why there was no mechanised earth-moving equipment on the site, only shovels. The Communist party official replied proudly that this meant there were more jobs. “Oh, I see,” said Friedman. “In that case I have a proposal. Take the shovels away and give them all teaspoons. That way there will be even more jobs.”

The two ways of organising human life are through voluntary agreement or violent coercion. Yes, we need some coercion, for the defence of the realm and protection against domestic force and fraud. But we do not need it in the economy. No tariffs. No licences. No prohibiting of

earth-moving equipment and other “robots”. My little canary-yellow car in Chicago has a bumper sticker recommending “Separation of Economy and State”. As John Stuart Mill put it in *On Liberty*, “society admits no right, either legal or moral, in the disappointed competitors to immunity from... suffering; and feels called on to interfere only when means of success have been employed which it is contrary to the general interest to permit – namely, fraud or treachery, and force”.

Obviously if you apply “protection” from top to bottom in the society, you will stop *all* trade, domestic and international, and can retreat to Walden Pond and live on about a pound a week. Until 1991, India was good at this. That’s one way of understanding the good of liberty of trade – imagining all of it outlawed.

Another way to reckon the good of liberty in trade, the Professional Economist’s way, is to speak of marginal ups and downs of the liberty: higher or smaller tariffs on Tatsuro’s car, say, or less or more stringent licensing of foreign doctors practising in London. The watchword



in such economics, which I have taught with enthusiasm for 50 years, is efficiency. It is splendid that goods and services are provided in the cheapest way that present technology allows. We reap numerous, if modest, efficiencies from it. Surely it is idiotic for

India to charge tariffs between Indian states. Surely the Treaty of Rome was a Good Idea. Granted.

But such efficiencies from marginal changes are, well, marginal. The huge payoff from Smith’s formula of social equality, economic liberty, and legal

justice – as he himself did not realise – comes from *future* technologies, what the so-called Austrian economists call “discovery”. Not mere shuffling, but very large novelties.

How large? Since 1800, Britain, Japan and Sweden have created a rise in goods





and services per person of at least 3,000 per cent. If the improved quality of those goods is acknowledged, such as better medicine and speedier transportation, the figure is more like 10,000 per cent.

Why? It happened, and will go on happening, because Smith's "liberal plan" was adopted more and more widely. Equality, liberty, and justice made ordinary people bold: bold to venture, to have a go. Of course it was imperfect. Parts of the United States were a slave society. Married women in Britain could not own property

until late in the 19th century. But even such an imperfect liberalism was epoch-making, the first time since hunter-gathering that the ordinary Jack and Jill could venture. And they did.

All of which is to say that liberty in society, politics, and law, expressed in liberal economic policies, made us rich. Not governments. To quote Smith again, "it is the highest impertinence and presumption... in kings and ministers, to pretend to watch over the economy of private people". When the French minister Colbert

asked the bourgeois in 1681 what *L'État* could do for them, they replied, *Laissez-nous faire*. Let us do it. Indeed. 🐕



**Deirdre Nansen McCloskey**

*Her latest book is* *Bourgeois Equality: How Ideas, Not Capital or Institutions, Enriched the World* (2016)

# THE LORD OF THE RINGS TRILOGY BY JRR TOLKIEN

by James Delingpole

*In each issue, James Delingpole reviews a book which may not be recent in its publication, but which conservatives should read.*

"I wish it need not have happened in my time," said Frodo.

"So do I," said Gandalf, "and so do all who live to see such times. But that is not for them to decide. All we have to decide is what to do with the time that is given us."

Frodo is, of course, speaking for his creator JRR Tolkien – a very reluctant hero. When the First World War broke out, Tolkien was happily reading English Literature at Exeter College, Oxford. He had started out in 1911 reading Classics but then changed course – one of the various accidents of fate that probably saved his life. What it meant was that his entry into the army was deferred till after his graduation, thus enabling him to miss out on the first two years of combat.

Perversely, this was quite a brave decision. As Tolkien later told his son, "In those days chaps joined up, or were scorned publicly. It was a nasty cleft to be in for a young man with too much



**“Isn't it just marvellous that so fine and noble and unimpeachably conservative a message happens to be buried in one of the biggest and most gripping bestsellers ever written?”**

**James Delingpole**

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imagination and little physical courage". But he endured the disapproval of his friends and family, collected his first class degree, and finally, very reluctantly, bid farewell to his beloved wife Edith and set off for war in June 1916, as a second lieutenant in the Lancashire Fusiliers.

Ghastly it may have been for all concerned – "junior officers were being killed off, a dozen a minute. Parting from my wife then ... it was like a death" – but it was the making of the man and the author. It turned what could have been a slightly twee, overlong, fusty children's book into an epic trilogy about good and evil, about the clash of civilisations, about man (and hobbit, elf and dwarf) in extremis, about doing the right thing even if it kills you. War was the Mount Doom furnace that forged *The Lord of the Rings* into a modern classic.

It's not by any means perfect, though. Fans will tell you that they love it, warts



Frodo is Tolkien's Everyman: the chap who doesn't want to do his bit but has to because, as Gandalf so wisely observes, we have to make the moral choices appropriate to the times in which we live.



and all – even the lengthy section at the end when the quest is long over and Tolkien will insist on laboriously putting every last detail of the characters' afterlife to bed. Also, nary a chapter can pass without some cheery soul or other breaking into often-lengthy song or verse. Unless you're very patient, you'll either skip these or do what I did and listen to the excellent audiobook version (narrated by Rob Inglis) where the songs allow you to drift off for a few moments till the action begins anew.

The trilogy's flaws – charming mannerisms if you

prefer – are, of course, a reflection of its author's preoccupations with language and literature, most notably Old English and Old Norse. His archaic diction and sentence structure have about them the whiff of Beowulf; so too, do his characters' fondness for feasting and speechifying, and their acute consciousness of history and tradition and lore.

What really rocked Professor Tolkien's boat, you sense, was the excuse to construct entirely new languages (Quenya, spoken by the elves, is a mixture of Finnish, Latin, Greek and ancient German) and elaborate histories, like

the one preceding the novels' events, involving Isildur, Sauron and the lost ring.

What this does is to give Tolkien's work the most extraordinary depth and resonance: his creation is rooted in more than 2000 years' worth of invented history; his various races speak in exotic, philologically plausible tongues. Not least among Tolkien's many achievements, then, is to have set the bar almost impossibly high for all subsequent fantasy fiction. Would *Game of Thrones* have been anywhere near as good if it hadn't been for Tolkien's pioneering brilliance?

The story itself borrows from fictive archetypes with which, again, Tolkien the literary scholar would have been well familiar. As Christopher Booker has noted, the Ring trilogy collects all seven of the basic plots: Overcoming the Monster; Rags to Riches; the Quest; Voyage and Return; Comedy; Tragedy; Rebirth. In other words, it's like all the greatest stories in history rolled into one.

At its heart are Frodo Baggins and his faithful companion Samwise Gamgee (a stoical, dutiful, good-humoured, earthy sort created

**What this does is to give Tolkien's work the most extraordinary depth and resonance: his creation is rooted in more than 2000 years' worth of invented history; his various races speak in exotic, philologically plausible tongues.**

as a tribute to the ordinary soldiers Tolkien got to know in the trenches) on their quest to save Middle Earth – i.e. Western Civilisation – from the darkest threat it has ever known and then return to their bucolic idyll in The Shire. This “little guy saves

the world” is a hugely satisfying theme; hence the subsequent popularity of Star Wars, The Matrix and, of course, the Harry Potter series.

Frodo is Tolkien's Everyman: the chap who doesn't want to do his bit but has to because, as Gandalf so wisely observes, we have to make the moral choices appropriate to the times in which we live. Isn't it just marvellous that so fine and noble and unimpeachably conservative a message happens to be buried in one of the biggest and most gripping bestsellers ever written? 🐕





## THE MOST SURPRISING IDEA IN ECONOMICS

by Matt Ridley

Two hundred years ago, a successful London broker named David Ricardo published a book containing a counterintuitive insight – the economic equivalent of a free lunch, a magic rope trick and a perpetual motion machine. Building on Adam Smith's theory of the division of labour, it explains much of the prosperity of the modern

world. If people are free to exchange, they will specialise and become more productive and efficient, and if they specialise they will find more value in exchange, resulting in a spiral of accelerating prosperity through gains from trade.

The insight goes under the name of the principle of comparative advantage. It was once wickedly described

**The principle of comparative advantage was once wickedly described as the only proposition in social science that is both true and surprising.**

by the economist Paul Samuelson as the only proposition in the whole of social science that is both true and surprising. What is surprising about it, and what Ricardo adds to

Smith, is the demonstration that there is no such thing as a loser from free exchange.

Trade benefits inefficient people and countries as much as it benefits efficient ones. Even if you are better at doing everything than everybody else in the world it still pays you to specialise and trade with others; even if you are worse than everybody in the world at everything, there will still be goods

and services people will want you to buy from you.

It is the gains from individual exchange between people that are most obviously explained by Ricardo – and with them the striking and central fact about the modern world, that when prosperity increases people become more and more specialised as producers so that they can become more and more diversified

as consumers. It was free trade between countries that Ricardo was thinking about, however. Here is how he explained the idea, using the example of England trading cloth for Portuguese wine:

*England may be so circumstanced, that to produce the cloth may require the labour of 100 men for one year; and if she attempted to make the wine, it might require the labour of 120*





*men for the same time. England would therefore find it in her interest to import wine, and to purchase it by the exportation of cloth. To produce the wine in Portugal, might require only the labour of 80 men for one year, and to produce the cloth in the same country, might require the labour of 90 men for the same time. It would therefore be advantageous for her to export wine in exchange for cloth. This exchange might even take place, notwithstanding that the commodity imported by Portugal could be produced there with less labour than in England.*

Ricardo was of Portuguese Jewish extraction, one of 17 children of a financier who emigrated to Britain from Holland. Cut off by his father for marrying a gentile, David became a successful stockbroker, specializing in arbitrage opportunities in government debt. In 1815 he gambled and won big. On 14 June, just four days before the Battle of Waterloo, the government raised its biggest ever loan of £36 million at a time when bond prices were depressed by anxiety at the new threat from Napoleon's army. Of the four

bidders for the loan contract, Ricardo's firm won. Early rumours of Wellington's defeat drove the prices even lower, but Ricardo held on, refusing to sell (though his friend Robert Malthus lost his nerve and sold). When the news came through of the victory at Waterloo, he was able to realise a huge profit, over £1 million.

He would later be accused of having inside information, perhaps from semaphore informants, that the battle was already won while giving pessimistic signals to others who were still waiting for news

so he could buy even more bonds. But no convincing evidence to substantiate this has emerged and it seems unlikely. With the profits he bought Gatcombe Park in Gloucestershire.

That same year he wrote an impassioned pamphlet arguing for the repeal of the Corn Laws. Between 1660 and 1846, in a vain attempt to control food prices by prescription, the British government had enacted no fewer than 127 Corn Laws to impede the trade in grain – imposing not just tariffs but rules about the storage, sale, import, export and quality of grain and bread. In 1815, after the war ended, to protect landowners as grain prices fell, the government banned the import of all grain if the price fell below 80 shillings a quarter. Ricardo could see that this punished the poor and rewarded the rich.

When he got into Parliament in 1819, he again took up the cause of repeal of the Corn Laws, making himself unpopular with agricultural interests. As Hansard reported one of his speeches,

*He conceived the duty of government to be, to give the greatest possible development to industry. This they could only do by removing the obstacles which had been created ... If government interfered, they would do mischief and no good.*

He argued in vain, however, and the Corn Laws persisted for another 25 years.

Ricardo became a close friend of Thomas Robert Malthus, but disagreed with him on many things, including free trade. Their correspondence is one of the most fascinating in the early history of economics. Watching local farmers struggle with bad harvests in the 1810s, however, he did agree with Malthus that corn yields must stagnate, because the best land was already in cultivation. He did not see the effect of technology.

**Trade benefits inefficient people and countries as much as it benefits efficient ones.**

Ricardo's labour theory of value proved even more influential than his theory of comparative advantage, being taken up by Karl Marx. He also gave Marx the mistaken notion that mechanisation would leave an army of unemployed workers for the capitalist to exploit.

In the summer of 1823, Ricardo was at Gatcombe, where, according to the History of Parliament online,

*He took satisfaction in the 'more liberal spirit than heretofore' which had been shown in Parliament and hoped that further progress would be made*

*towards 'getting rid of some of the absurd regulations which fetter commerce, till all shackles are removed'.* He composed a paper detailing his plan for the establishment of a national bank, 'with a view to prove that the nation would lose nothing in profits by abolishing the Bank of England'.

The chance to see through such reforms was to be denied him. On 11 September he died from an infection that had started in his ear. He was only 51. An anonymous obituary called him "a great loss both to the country and to government. The extreme candour and fairness of his mind and conduct contrasted very strikingly with the extravagance of his political opinions". 🐶



**Matt Ridley**

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# HOW TO BE A CONSERVATIVE IN THE AGE OF ACCELERATION

by Robert Colvile

Does it ever feel like the world's moving too fast to keep up? That events are coming thicker and faster, that we increasingly find ourselves racing to keep up? It's not just your imagination: life really is getting faster. The evidence shows

that people are speaking more quickly, walking more quickly, becoming ever more impatient with any form of dither and delay. Goods, capital and ideas flow around the world with quicksilver speed. This acceleration, I would argue, is the driving force

**In an accelerated age, we need to demonstrate again and again that it is still the free market and liberal values that offer the best route to a better life.**

behind many of the changes in our economy, our society and our politics. And it







is happening not because of some sinister plot hatched in Silicon Valley, but because it is what we want. Every time we are given the opportunity to vote with our wallets, we go for the choice that offers greater speed and greater convenience.

For conservatives, this new environment is invigorating and disconcerting in equal measure. In the broadest sense, acceleration is very much to be welcomed. A faster pace of life is correlated with greater health,

**In the long term, our countries will not prosper until they are prepared to take advantage of this new age: to be faster, fitter and more flexible, with workers who can adapt to new industries and technologies rather than rotting on the dole queues.**

greater wealth and greater happiness. Cities like London are not large because they are prosperous but prosperous because they are

large: the greater the population of a given community, the faster the pace, and the more money and ideas those people generate.

Acceleration also helps shrink the state, or at least point up its flaws. The quicker market gets at serving us – the easier it is to order goods from Amazon with the click of a button – the worse the public sector looks by comparison. The inadequacies and inefficiencies of the great monopolies and bureaucracies are thrown into ever

sharper relief by the greater speed and efficiency of the world outside them.

Yet, at the same time, acceleration also raises new questions. As the prosperous parts of our nations race forwards, it opens up ever wider gaps with those who are ill-positioned to take advantage of an accelerated economy – who experience it as a threatening and disruptive force rather than an invigorating one. This in turn can make it more tempting to listen to those, from Donald Trump to Beppe Grillo, who promise to turn the clock back – or, more accurately, to slow the world down.

Acceleration is also changing the structure of our economy. It is making it more interconnected, but also more fragile. And it is polarising it between large and small. A striking figure of online markets is the way in which they tend towards monopoly, not because the firms involved have colluded against the consumer, but because they are so efficient at serving them.

And, of course, acceleration makes people feel unsettled. Ever since the world started to get faster with the invention of the Bessemer engine, people have been complaining about its

increasing speed, and warning that our bodies, our minds and our values are sure to be shattered in the process. Yet even as we complain, we seize the benefits of acceleration with both hands.

For conservatives, then, this new environment presents a peculiar challenge: to combine radicalism with reassurance.

In the long term, our countries will not prosper until they are prepared to take advantage of this new age: to be faster, fitter and more flexible, with workers who can adapt to new industries and technologies rather than rotting on the dole queues.

Yet at the same time we also need to, well, conserve – to make sure that in an age that is less interested in tolerance, hierarchy and restraint of any kind, we do not discard what is valuable for what is novel.

And above all, we need to take voters with us. That means providing support for those who do not live in the great accelerated cities: those for whom change is not an opportunity, but a threat. Too often, as David Goodhart points out in his new book *The Road to Somewhere*, such people have been treated with contempt by the ruling classes, made to feel inferior because they do not want to join in the rush.

In recent decades, our lives have been getting dramatically better: the entry of countries in Asia and elsewhere into the accelerated economy has pulled billions out of poverty and enriched us all. Yet our inbuilt bias towards pessimism too often convinces us that the world is rushing to hell in a handcart – that we cannot cope with a sharper, speedier ride.

It is in precisely such an environment, sadly, that people are most willing to listen to those who make empty promises of protection, who offer the moth-eaten answers of old-school socialism or the empty certainties of xenophobic bombast. In an accelerated age, we need to demonstrate again and again that it is still the free market and liberal values that offer the best route to a better life. 🐕



**Robert Colville**

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## WHO SAID THERE WAS ANYTHING FAIR ABOUT TRADE?

by Daniel Pearson

Donald Trump has repeatedly emphasised his preference for “fair trade” while casting doubt on the desirability of “free trade”. In his address to a joint session of Congress on 27 February, the president

said: “I believe strongly in free trade, but it also has to be fair trade. It’s been a long time since we had fair trade.”

This may be news to the White House, but the world has never experienced

a trading environment that has been entirely fair. What’s more, a country doesn’t need to worry about what other nations are doing in order to experience free trade – all it has to do is keep its borders open to imports.

**President Trump and other free-trade sceptics fail to understand the true beauty of open markets.**

First, unfairness. It’s generally accepted that life itself is unfair. Thus it should be no surprise that world trade also is unfair. Manufacturers and workers facing competition from imports are unlikely to see the situation as fair. Likewise exporting firms

dealing with other countries’ import restrictions. Fairness and unfairness are very much in the eye of the beholder.

America has been dealing with trade unfairness since its early history. The Navigation Acts, imposed under English law, required

all imports to be purchased from Britain. Tea from India or wine from France could enter the North American colonies only after it had cleared customs in England. Not surprisingly, many colonists found this policy to be both costly and unfair.





**It's time to rethink the trade policy status quo. Instead of maintaining trade restrictions to punish another country for selling low-priced products, the strategy should be to eliminate import restrictions to take advantage of the other country's foolishness.**

Recent years have witnessed an abundance of unfairness in world trade. Japan has used regulatory policies to discourage importation of automobiles. The European Union has applied food safety standards not based on science to keep out genetically modified corn. China has used industrial planning and subsidies to encourage growth in its steel industry, thus leading to massive exports. The United

States has imposed 388 antidumping or countervailing duty (AD/CVD) measures to restrict the importation of products that the Department of Commerce deems to be traded unfairly. And AD/CVD restrictions themselves are seen to be unfair by the people who pay the costs.

If trade often is not fair, can it still be beneficial? Building on Adam Smith's earlier work, David Ricardo

answered that question 200 years ago by articulating the concept of comparative advantage. Ricardo observed that it made no economic sense to pursue self-sufficiency, because no nation can do everything well. Rather, countries should specialise in activities at which they have the strongest relative advantages, then trade to obtain other needed goods and services. Trade based on comparative

advantage allows resources to be put to their highest-value uses, which helps to spur economic growth.

So, what is free trade? It does not depend on whether the policies of other countries are good or bad, or even whether they are fair. In fact, free trade is not about what other countries do at all. Rather, it exists when a country allows its own citizens the opportunity to buy and sell in the global marketplace without restrictions. People's living standards rise when they have open access to millions of products, services, and customers available in the world market.

Judged by that criterion, the governments most committed to free trade are in Singapore and Hong Kong, cities with few natural resources that have become two of the wealthiest places on earth. Open markets played a major role in building that wealth.

Despite having an economy that is generally market-orientated, the United States can't really call itself a free trader. It restricts imports through numerous tariffs, duties, quotas and other policies. From the perspective of individuals and businesses disadvantaged by these trade-distorting

policies, they seem neither free nor fair.

Economists across the political spectrum agree that removing import restrictions always increases a country's economic welfare. The gains to consumers are greater than any possible losses experienced by firms that compete against imports. In other words, the United States would be better off ending its tariffs and other import restrictions unilaterally, as Singapore and Hong Kong have so admirably demonstrated.

It's time to rethink the trade policy status quo. Instead of maintaining trade restrictions to punish another country for selling low-priced products, the strategy should be to eliminate import restrictions to take advantage of the other country's foolishness. If a country is willing to transfer wealth to America by selling items at artificially low prices, perhaps it would be best just to buy them and say, "Thanks!"

But what about firms and workers that compete against unfair imports? Don't they deserve help? Perhaps, so long as that help doesn't involve trade-distorting subsidies or import restrictions. Governments may wish to encourage firms

to restructure or to adopt new technologies. Workers who lose their jobs may benefit from some combination of unemployment compensation, educational support, and relocation assistance. The goal should be to facilitate the transition to new employment.

President Trump and other free-trade sceptics fail to understand the true beauty of open and competitive markets. A country that allows goods and services to flow freely across its borders creates a climate of opportunity for its citizens. Free trade is an approach to trade policy that a country adopts for its own benefit, regardless of what other nations may be doing. It is something we can and should do to help ourselves. 🐶



**Daniel Pearson**

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## AMERICA MUST LET TRUMP BE TRUMP

by Madhav Das Nalapat

“Treat me as an outsider and I’ll behave as one,” was Rupert Murdoch’s warning to editors who behaved as if their publication belonged to them and not to the proprietor. It also sums up President Trump’s attitude to the media. His administration has sought to box journalists into harmlessness through denial of access and serial invective. Even the sacred Beltway ritual of the annual White House Correspondents Association dinner was boycotted by the 45th President of the United States, who owes much of his fame to artful management of the media.

As a businessman, Donald Trump was generous in the time he gave journalists, including those who were far from being admirers. There were, of course, threats, legal notices and even lawsuits, but such shadows quickly passed. The Donald bestowed so much of his undoubted charm on reporters that even



“ Trump becomes Trump and places his stamp over policy the way that FDR or Lincoln did.

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supposedly negative reports contained anecdotes designed to make readers like him. It helped that Trump was a compulsive reader of newspapers and viewer of television channels, his favourite topic being a certain New York billionaire

with a glamorous wife and an unusual hairstyle. He didn’t need to be told that the media were outside the gravitational force of the Trump corporate empire, and therefore needed to be handled more delicately than his employees.

However, a career in corporate life – or, for that matter, the military – may not be the best way of adapting to the scrum of a political career. Businessmen and generals understand hierarchy and its attendant order, but they are less familiar with the pathways and limitations of politics. Now that he is in the White House, we can see that Trump spent too little time thinking about what needed to get done the morning after the election, including picking his staff. Brave words notwithstanding, it seems that Team Trump was less than certain of defeating Hillary Clinton, whose machine was supremely confident of victory.





On November 9, journalists who had wasted so much effort cultivating the Clintons began to work out their anger on Trump. This was predictable – almost none of them had voted for him – but Trump made things worse. This was the day on which he needed to forget past dust-ups. Instead, he seemed to think that his business had expanded to cover the entire country, including the media. He behaved as though he had no further need of them, tweeting his contempt to the world.

Interestingly, doling out tough love to the media has worked for the leader of an even larger democracy. The Indian prime minister Narendra Modi has barred most journalists from travelling with him on visits abroad, while traditional press conferences no longer happen. Yet the press in India is largely adulatory – perhaps influenced by the fact that it is owned by individuals who depend on government goodwill for their profits. If Modi's winning streak comes to an end, the fawning pack is likely to turn on him.

Had President Trump followed the same playbook

with the Washington media as Businessman Trump in New York, he could have avoided much of the vitriol now being directed at him. Approaching journalists in small batches, or singly, he could have demonstrated the warmth that is natural to the man, rather than the faux-disdain affected by him and the entire top tier of his team.

Newspaper columns have been viciously critical of the new president, going out of their way to represent him as a dangerous break with the past. The result – despite his disdain for the press – is that he seems to have decided not to break with the past.

In that sense, the media are winning: their incessant criticism is turning Trump into a president who – certainly in the area of foreign affairs – pursues far more conventional policies than expected. Policies, in other words, with which many media commentators are comfortable, even if their tribal dislike of Trump means they are reluctant to admit it.

For example, both Trump's national security advisor H R McMaster and defence secretary James Mattis are

**Newspaper columns have been viciously critical of the new president, going out of their way to represent him as a dangerous break with the past. The result – despite his disdain for the press – is that he seems to have decided not to break with the past.**

more conventional in their approach to Nato, Afghanistan-Pakistan and the Middle East than Donald Rumsfeld was 16 years ago. Mattis, for example, wants to persuade the Taliban to surrender their weapons and behave as good citizens. This gravely misunderstands the jihadist psyche, but the Washington establishment is comfortable with delusions of “de-radicalisation”.

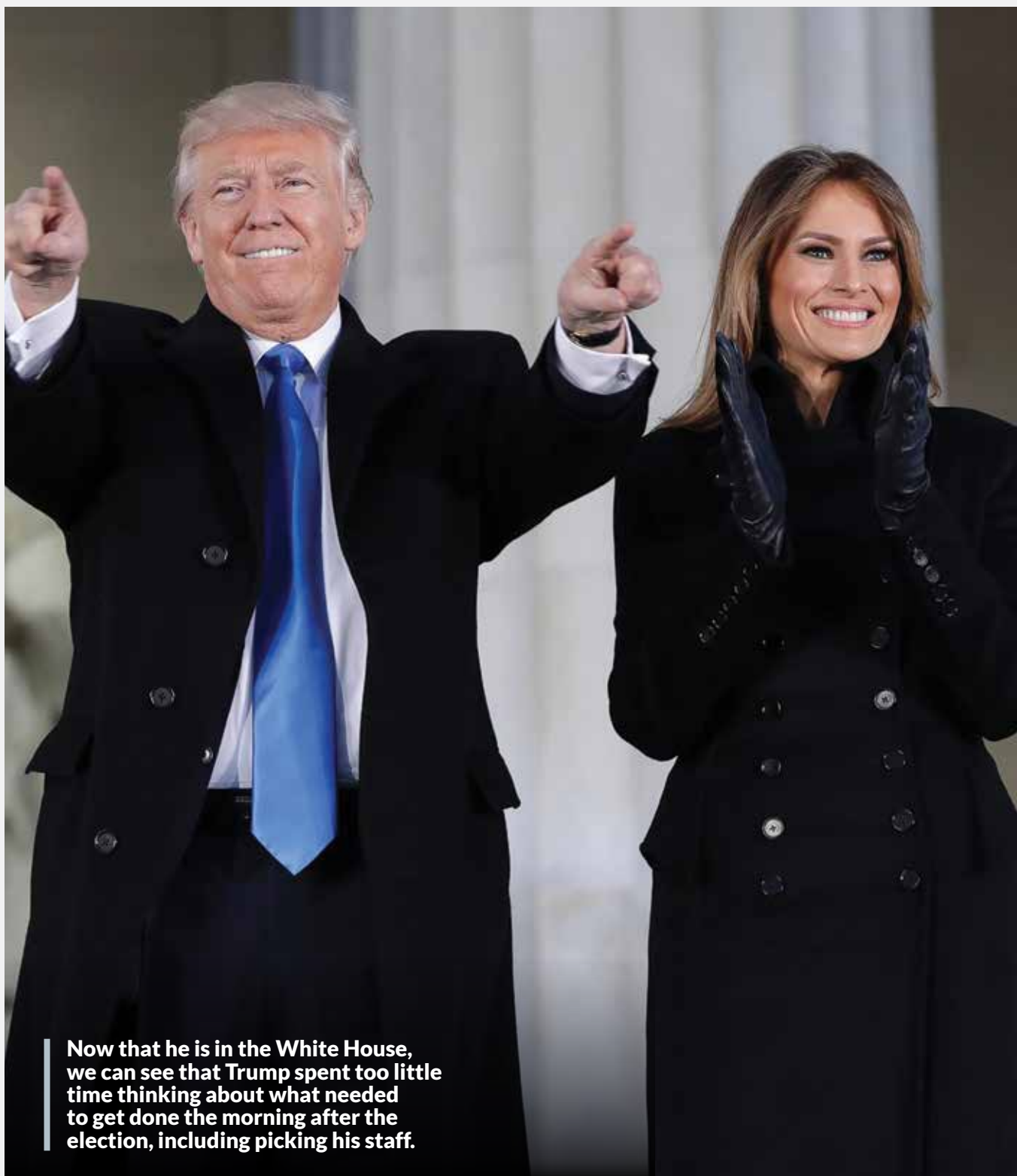
As for McMaster, after more than a decade of steadily de-hyphenating India from Pakistan, he has pushed US policy back to the Bill Clinton era by flying into Delhi directly from Islamabad with a roomful of suggestions for better relations between the two neighbours, one of which was born as a consequence of hatred of the other. This has kindled Indian anxiety about future



American policy towards the subcontinent. Will the focus be on “peace-building” or on eradicating terrorist nests?

Then there is Nikki Haley, US ambassador to the United Nations, in many ways one of the more inspired Trump picks. Any thought of a strategy of weaning Russia away from China appears to have faded from her mind, if it were ever there. Like Colin Powell when he was secretary of state, she has embraced the European Union approach to geopolitics, in which the central strands are placating China and antagonising Russia. Any rapprochement between Moscow and Washington would be unwelcome in Beijing, but it would appear that – Candidate Trump’s ruminations notwithstanding – the standing committee of the Chinese Communist Party has little to worry about.

Meanwhile, all three of these choices have endorsed the Cameron line on the Middle East, which remains blind to the way ISIS is using the so-called “moderate opposition” to its advantage by making it soak up the money and weapons on offer from Qatar, Saudi



**Now that he is in the White House, we can see that Trump spent too little time thinking about what needed to get done the morning after the election, including picking his staff.**

Arabia, Turkey and other backers of Wahabbism. It is extraordinary that Whitehall does not ask itself why Christians, Druze, Shia and even moderate Sunnis flee from zones taken over by Western allies; perhaps it is the threat of being beheaded by these “moderates”.

In short, if the media war on Trump was designed to ensure that he would revert to the Clinton-Bush policy course and abandon the unorthodoxy promised on the campaign trail, it is succeeding. Bear in mind, too, that members of Trump’s inner circle are above all determine to save him from future impeachment and prosecution: they apparently think that embracing familiar policies will help achieve that result.

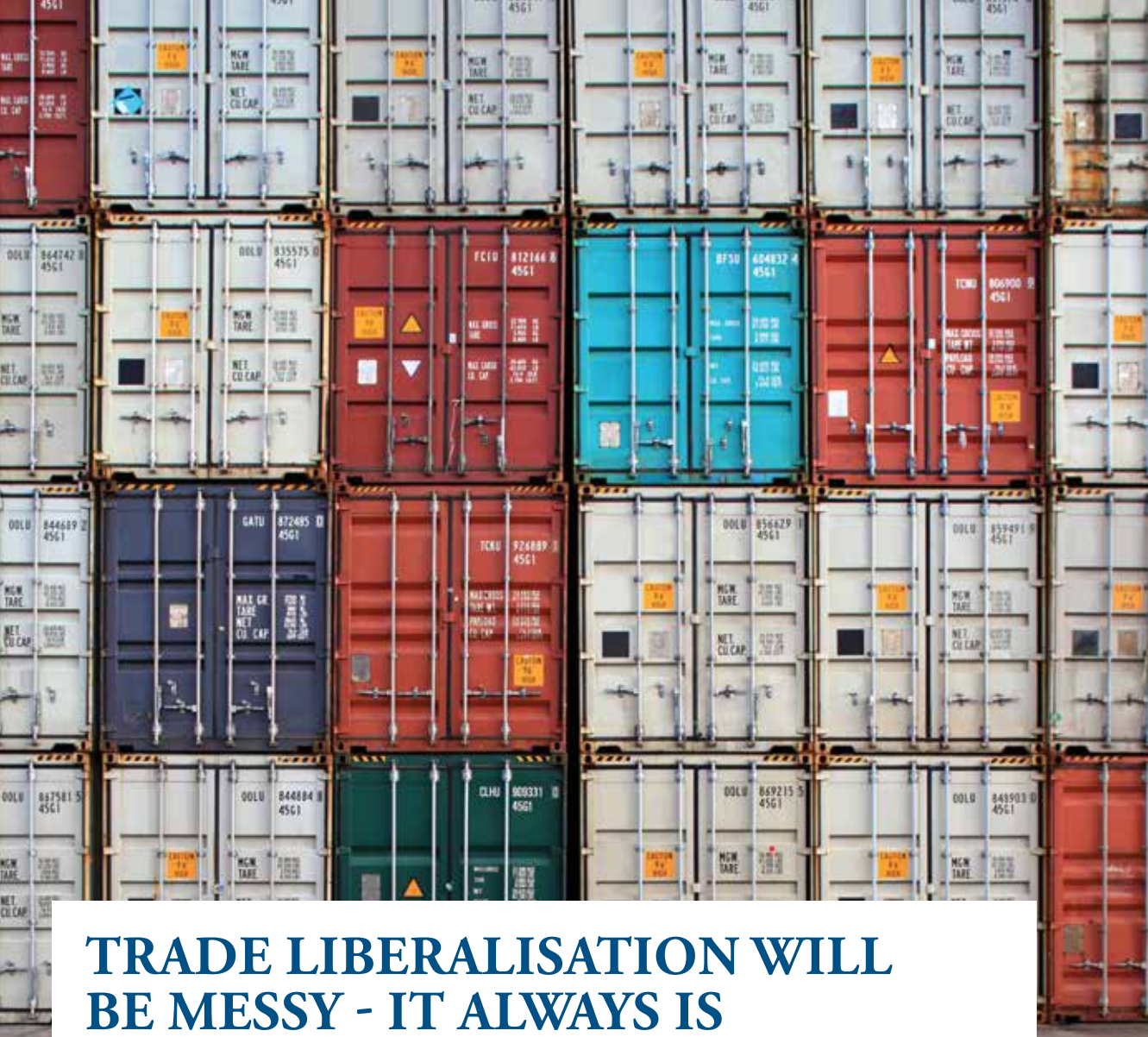
They are wrong. The more President Trump moves away from Candidate Trump – who pushed aside more than a dozen Republican worthies in his fight for the nomination – the faster his approval rating will fall to the low 20s, a level at which it will be safe to call for his impeachment or worse. All that is preventing such a descent are the flashes of the real Trump occasionally visible from the White

House, the most important of which is the greater freedom he has given to the military to meet its objectives.

Unlike the closet pacifist Barack Obama, Donald Trump has deferred to the generals, so much so that there is finally a chance that the kinetic force needed to ensure the safety of the US, Japan and South Korea from Pyongyang will actually be unleashed. However, to ensure victory in Korea, Trump will need the neutrality of Russia and the participation of Taiwan. Recent policy reversals make both those things unlikely.

Unless, that is, Trump becomes Trump and places his stamp over policy the way that FDR or Lincoln did. In their desperation to “save” the president, his intimates are creating the conditions for his downfall, by diluting him with liberal doses of Clinton and Bush. After his first 100 days of waffling, it is time for the real Donald Trump to stand up. A good first step would be make sure that his administration understands that we are now living in the Indo-Pacific century, and that the foundations of American policy no longer lie on the other side of the Atlantic. 🐶





## TRADE LIBERALISATION WILL BE MESSY - IT ALWAYS IS

by Dalibor Rohac

Whether or not you think Brexit was a good idea, it affords the United Kingdom new opportunities, including in the area of trade. By acting on its own, instead of having to reach a common negotiating position on behalf of 28 countries, Britain can become a voice for

trade liberalisation across the world.

In one way, the stars seem to be aligned. In Washington, the new administration is interested in simple bilateral deals, such as one between the United Kingdom and the United States, instead of complicated and opaque multilateral

**Walking away at the end of March 2019 with no deal would not be innocuous. It would be an act of gratuitous economic self-harm.**

arrangements, often seen as infringing on national sovereignty. There is a strong constituency for fast-tracking the US-UK FTA, ready to enter into force as soon as Britain leaves the EU.

However, in order to capitalise on new opportunities, we must stay grounded in the reality of international trade. On the practical side, it is laudable that the British government is beefing up its capacity to conduct trade talks after a hiatus of over 40 years – for instance, by drawing on support from Commonwealth countries such as New Zealand, which has already seconded an official to help train the UK's trade policy unit.

More importantly, the British political class must not dream about a new British Empire and recognise that trade liberalisation in the 21<sup>st</sup> century is rarely glamorous, involving hard political trade-offs and lots of tedium.

If there is one lesson from decades of research into international trade, it is the following. The size of trade flows between economies is determined primarily by their distance and size. Large economies trade more than small ones and geographically close economies trade more than distant ones. That pattern has not been weakened, as one would expect, by the dramatic fall of transport costs over recent decades.

For the UK, that means that its primary focus has to be on not disrupting economic integration with its largest trading partner, the EU. Walking away at the end of March 2019 with no deal would not be innocuous. Quite the contrary: it would be an act of gratuitous economic self-harm. The single European market, predicated on the principle of mutual recognition and on the alignment of regulatory practice,

**Regulation lies at heart of the reality of opening up markets to foreign competition. That will not miraculously change after Brexit.**

has led to the development of production chains spanning multiple countries, shipping intermediate products back and forth across borders seamlessly.

For instance, while Guinness beer is brewed in Dublin, it is packaged at a Diageo facility in Belfast before being shipped back to Ireland. The Nissan factory in Sunderland is part of a much more complicated production network integrated through EU countries. If Britain were to just crash out of the single

market, countless businesses would have to start working around costly certifications and inspections, both at and beyond the border.

The broader lesson is that as long as economies are governed by complex regulations, trade liberalisation will always be complex. Tariffs are at historic lows and quotas are practically non-existent. Explicit discriminatory measures break World Trade Organisation rules, inviting retaliation and legal proceedings. The biggest challenge for companies doing business across borders is therefore compliance with the countless environmental, safety and sanitary rules of different jurisdictions.

In a case cited by the Alliance of Automobile Manufacturers, for instance, a US company that sought to export a popular model of light truck to Europe had to create 100 unique parts, spending an additional \$42 million on design and development, and perform rigorous tests of 33 different vehicle systems – “without any performance differences in terms of safety or emissions”.

Free-market conservatives might deplore the rise of the regulatory state but it



remains a fact of life across advanced industrialised economies. Even if Brexit leads, as some of us hope, to a bonfire of unnecessary red tape in the UK, the issue of divergence between regulatory regimes will remain at the heart of efforts to liberalise trade.

For free marketeers, the tool of choice when dealing with divergent regulatory regimes is mutual recognition. Applied consistently, it could lead to extremely simple FTAs bridging different regulatory regimes and fostering competition. In such a world, a drug approved by European Medicines Agency (EMA) could

be marketed, say, in the United States without the need for further testing.

While mutual recognition has obvious appeal, its practical use has been limited to situations where governments see regulatory practices as closely aligned. In the European Union, the *Cassis de Dijon* principle is contingent on a high degree of harmonisation of rules. Perhaps the most successful example of mutual recognition involves Australia and New Zealand – two countries with a shared political history, common legal heritage and close coordination of regulatory policies.

By contrast, the United States and the EU have a number of mutual recognition agreements that are not enforced as a consequence of divergences in regulation on both sides of the Atlantic.

The political problem with mutual recognition is one that conservatives should be attuned to: national sovereignty. By allowing for unconditional recognition of rules set by other countries, domestic regulation can be rendered ineffective. Whether that is a good thing may be an open question. Either way, it is highly controversial.



As a result, effective trade liberalisation will involve a messy, sometimes acrimonious, process of political bargaining over the forms of regulatory co-operation used to bring down non-tariff barriers. In some cases, trade agreements mean a harmonisation of rules. In other cases, governments commit to open-ended partnerships on regulatory policy, or to using international standards set by transnational organisations, or to mutually recognising each other's assessment bodies in

evaluating conformity with their respective regulations (that way, a drug developed by a European company could be tested by the EMA for compliance with US standards). Each of those of approaches has different costs and benefits – and is likely to trigger different responses from the public.

Regulation lies at heart of the reality of opening up markets to foreign competition. That will not miraculously change after Brexit – even if President Donald Trump's Anglophilia translates to real political action.

The sooner the British learn to navigate that reality, the greater the likelihood that Brexit will boost the cause of free trade and open markets. 🐶



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## EVEN WHEN CONSERVATIVES WIN, THEY LOSE

by Mark Littlewood

As I write this article, the opinion polls are suggesting that the Conservatives could win their biggest landslide since 1983. This is a once-in-a-generation opportunity to advance radical free market policies that can turn post-Brexit Britain into a world leader in innovation and opportunity. However, instead of seizing the mantle of Margaret Thatcher, Theresa May is using the weakness of the Labour Party to move to the Left in order to steal Labour's voters – and too often its policies.

Many of us who believe in free-market economics wonder at this. How can a conservative party allow itself to be convinced to increase

taxes, increase regulation and put up barriers to innovation rather than reducing them? How, despite global evidence of the efficacy of free-market economics, can the response to any problem still be calls for more government regulation or punitive taxes on those seen as doing "too well"? The reason is that we are losing the public argument, and too often have simply abandoned the intellectual battle to the Left.

This must change, because we have an excellent story to tell. In 1957 Harold MacMillan famously told the British electorate – with a measure of certainty and confidence that no Conservative leader would dare to

**More than half of us believe that the rich have got richer and the poor poorer – despite real disposable incomes doubling for poorer Britons**

match today – that they'd never had it so good. And he was right! By the 1950s, Britain was richer, healthier and better educated than it had ever been.

But what would Supermac, or any politician from the 1950s, think of where we are today? In the past 50 years, the size of the UK's GDP has almost quadrupled in real terms. The number of students staying in full-time education beyond 16 has more than quadrupled. The real incomes of the poorest in Britain have doubled since 1977. We are working fewer

hours for more pay, and Britons are now living 10 years longer than in 1960. All this is largely thanks to the liberal economic policies espoused by Mrs Thatcher.

But this isn't simply a domestic success. The Chinese are 77 times richer and live 30 years longer than in 1960. But it took real policy changes to bring about these incredible improvements. In country after country, the real gain came only after free-market reforms. Between 1960 and the late 1970s, the per capita wealth of Chinese people almost doubled. But in the 38 years since China embraced more capitalism and globalisation,



it has increased by an almost unbelievable 4,300 per cent.

So why does no one seem to acknowledge what has happened?

According to polling, only eight per cent of people in Europe and the United States of America believe that world poverty has declined at all

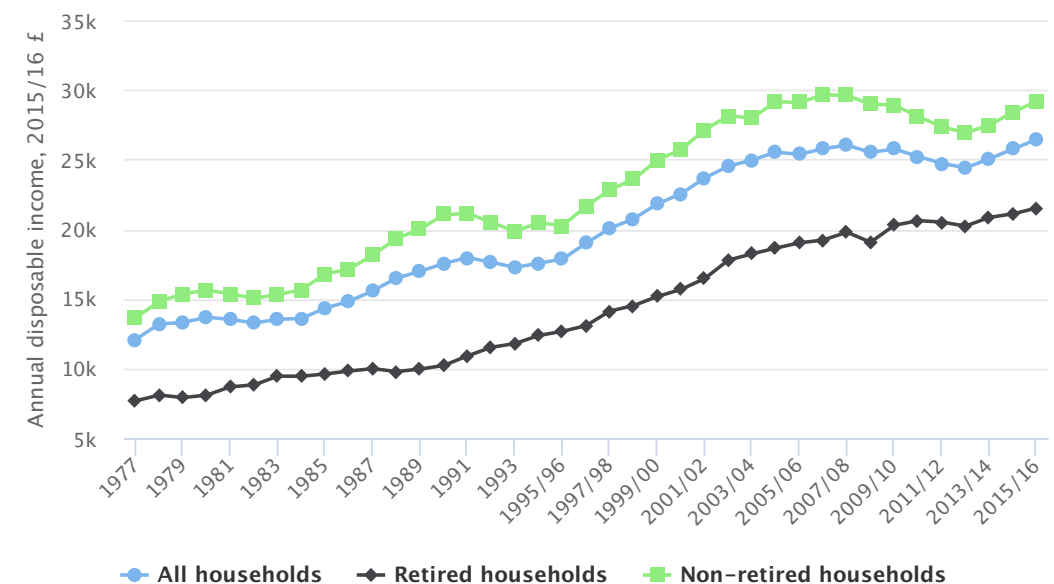
over the past 20 years. Swedish academic Hans Rosling carried out a study asking Britons multiple-choice questions about how much the world had improved. Pathetically small numbers got the answers correct. Both average Britons and university graduates performed worse than the chimpanzees that were included as a control.

More than half of us believe that the rich have got richer and the poor poorer – despite real disposable incomes doubling for poorer Britons. If we do not confront this ignorance, then we cannot hope to succeed.

But we also need to change the climate of the

### Disposable income is at a record high

Source: ONS





**Theresa May is using the weakness of the Labour Party to move to the Left in order to steal Labour's voters – and too often its policies**

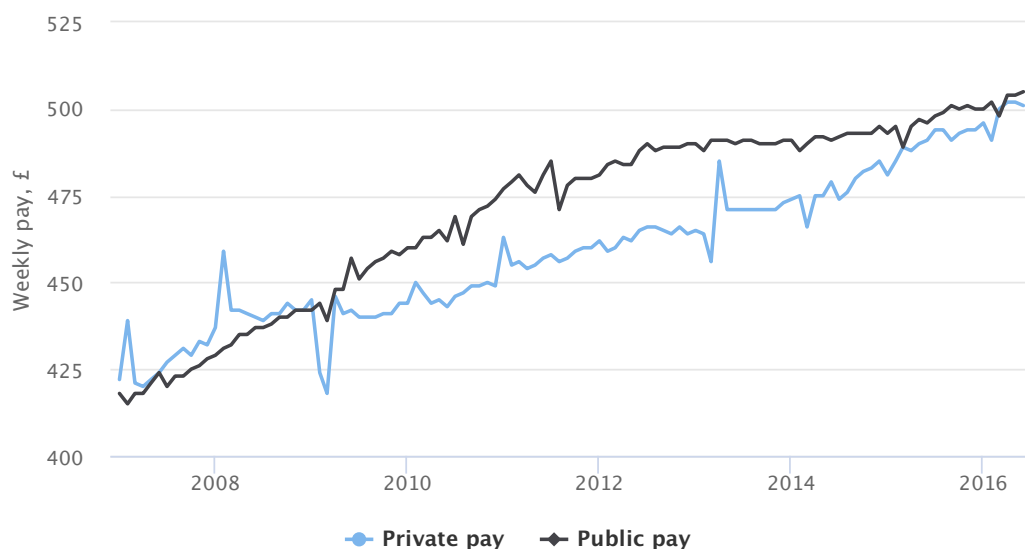
poverty debate on our side of the political fence. Free-marketeters are caricatured as having no interest in the human effects of our policies. Conservatives supposedly believe that people on low incomes should be content with the bare minimum – that complaints about an inability to get ahead, to buy that flat-screen TV and Sky Sports, are just whingeing.

That cannot be what conservatism and free-market liberalism are about.



## Private sector wages have almost closed the gap with the public sector

Source: ONS



We must fight to open up avenues of improvement and opportunity across the income spectrum. More than anything, we should welcome this aspiration among the poorest in our society – not bang on like Monty Python's famous Yorkshiremen about how much worse it was in our day. Just because people don't need to "lick road clean wit' tongue" doesn't mean they are able to achieve their full potential.

Britain desperately needs a significant reduction in the size of the state, a radical tax overhaul and a deregulatory

agenda. That is how Brexit will truly free our economy from the dead hand of Brussels, rather than simply moving it over here. But before that can happen we must get back in the ring and fight the battle of ideas against anyone, from any party, who would cripple our economy and reduce opportunities for the poorest with higher taxes or more regulation. 🐶



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—Ayn Rand

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## HOW HONG KONG'S BOND VILLAIN KEPT INVASION AT BAY

by Andrew Pak Man Shuen

James Bond, my father once told me, made no sense to him. This was more than a quarter of a century ago: it was a lazy Sunday afternoon and we were watching the VHS tape of one of the Roger Moore movies. I asked why. “Because if the

British secret service really had someone that good, we wouldn’t have had Henry Fok,” he replied.

Fok (1923-2006) was a very successful Hong Kong businessman. Wikipedia reckons that he was “possibly the most powerful

**The decision to make Hong Kong a true free port where even the enemies of the British Empire could trade was a master-stroke.**

Hongkonger in the politics of the People’s Republic of China”. He was vice-chairman of the National Committee of the Chinese







People's Political Consultative Conference, president of the Chinese General Chamber of Commerce in Hong Kong and president of the Hong Kong Football Association.

But other parts of his CV were less respectable. He had been a smuggler of clothing, steel, rubber and medicine during the Korean War and was widely believed to be an arms trafficker, though he denied

it. There was definitely a touch of the Bond villain about him – but there was no martini-sipping agent to keep his activities in check.

Years after my conversation with my father, I mentioned it to Simon Lee, a co-founder of the Lion Rock Institute. He laughed, and said that while he didn't know much about British intelligence during the Korean War, he was sure that Henry Fok got

away with it "because the colonial administration followed the governing tenets laid out by Pottinger".

Sir Henry Pottinger was our first colonial governor. After the Opium War, he turned Hong Kong into an outpost of the British Empire so distant that Victorian parents would threaten to send unruly children there as a punishment.

He laid out the three basic governing tenets of

Hong Kong. The first was that there must be no direct taxes: government revenue would come from land leases, licensing fees etc. The second was to "respect local customs". Finally, Hong Kong would allow free trade, including with the enemies of the British Empire.

From the perspective of the 21st century, it is easy to conclude that Pottinger must have been a liberal. No direct taxes.

Multiculturalism. Free trade. And all for a city built on commerce.

But, before celebrating, we must bear in mind that Pottinger was a hard-nosed colonialist. He and his colleagues had no qualms about butchering the "yellow peril" as they barrelled into Qing-dynasty China.

So why those three seemingly enlightened tenets? Remember that this was

before the telegraph and the Suez Canal. Britain was not all that keen to hold a colony that was not only far away but surrounded by hostile powers. London sent the message to Pottinger that he would not be receiving much in the way of manpower or budget.

Hence it was out of realpolitik that Pottinger embraced those principles. First, the collection of direct taxes is extremely labour-intensive; without them, he could manage with a much smaller civil service. Second, although the Chinese of that era engaged in polygamy, female pedal mutilation and (perhaps most objectionable to the British) eating dogs, Pottinger knew that he was in no position to engage in mass behaviour-modification. If everything the Chinese were doing was allowed to stay legal, the police force could remain small and still be effective in the protection of property rights.

The decision to make Hong Kong a true free port where even the enemies of the British Empire could trade was a master-stroke. Pottinger understood that the colony would be hard to defend with military force. To sail from Plymouth, the



home port of the South China Sea fleet, round the Cape of Good Hope, across the Indian Ocean, through the Malacca Straits and then up the South China Sea was a logistical nightmare even in peacetime.

However, Pottinger also knew that, as Hong Kong possessed no natural resources to be pillaged, together with the fact that attacking any part of the British Empire would incur a cost for the invader, any assault must be part of a grander strategy for an invader in search of a prize other than this colonial outpost. If the would-be invader discovered that they could purchase whatever they coveted from Hong Kong, it was not worth the effort.

This explains what happened during the Korean War. The British colonial administration must have known about the smuggling activities of Henry Fok, who was transporting massive resources to Communist China. The latter had been placed by the United Nations under a total trade embargo. This meant that free-trade colony under British control was a lifeline for Mao, and far more useful than a Chinese-ruled Hong Kong.

As a result, Hong Kong remained British until 1997 – that is, 50 years longer than India. Its sovereignty was preserved because the power most likely to invade was protecting it. This makes Pottinger look like a geopolitical genius.

Of course, Hong Kong's sovereignty did change hands once before 1997. In 1941, Japan invaded as it simultaneously rained bombs on Pearl Harbour,

**Peace and sovereignty flow from the fountain of authentic free trade, even in the absence of soldiers and Ian Fleming's secret agents.**

and we surrendered in three weeks. If Pottinger's adoption of free trade was such a master-stroke, how come Hong Kong fell to the Imperial Japanese?

Next to the Yasukuni Shrine in Tokyo, which commemorates the war dead, there is a museum that is basically an attempt by the Japanese to explain what they did. One word is crucial: oil.

According to Pottinger's theory, if the Japanese could have bought oil through Hong Kong, the Pacific War with the Allied

forces might have been averted. Of course, this also means that Hitler would have never declared war on America. And that was not what Churchill wanted. That raises the question of why Hong Kong uncharacteristically participated in the oil embargo and suffered invasion – but we can leave that discussion for another day.

To conclude, the logic of “when goods don't cross borders, soldiers will” that underpinned the Treaty of Rome was on full display in Hong Kong. Peace and sovereignty flow from the fountain of authentic free trade, even in the absence of soldiers and Ian Fleming's secret agents. And, of course, there is another consequence of authentic free trade, which is massive and widely shared prosperity. That is also on full display in Hong Kong. 🐯



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## JOSEF PIEPER

by Roger Kimball



**“More and more, so-called liberal arts institutions are vocational schools at best; at worst they are circuses of narcissism. The leisure has been drained out of them.”**

### Roger Kimball

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One can learn a lot about a culture from the words and ideas it pushes into early retirement. Our own age is rich in such conceptual emeriti, as anyone who has pondered the recent careers of “disinterested,” “manly,” “respectable” or “virtuous” knows well. And consider the word “leisure,” an idea that for the Greeks and for the doctors of the Church was bound up with the highest aspirations of humanity. For Plato, for Aristotle, for Aquinas, we live most fully when we are most fully at leisure. Leisure – the Greek word is *scholē*, whence our word “school” – meant the opposite of “downtime”.

“Leisure,” Aristotle wrote, is “better than” action and is its end. Leisure in this sense is not idleness, but activity undertaken for its own sake: for example, philosophy, aesthetic delectation, and religious worship. It is significant that in both Greek and Latin, the words for leisure – *scholē* and *otium* – are positive, while the corresponding terms for “busyness” – *ascholia* and *negotium* (whence our “negotiate”) – are privative: *not* at leisure, i.e., busy, occupied, engaged.

And for us? Of course we still have the word “leisure.” But it lives on in a pale, desiccated form. Think for example of

the phrase “leisure suit”: this odious object epitomises the unhappy fate of leisure in our society.

At first blush, it might seem odd that leisure should survive in such degraded form. After all, the United States and Western Europe have never been richer or more concerned with “quality of life”. By every objective measure, we can certainly afford leisure. An army of experts and a library of self-help books urge us to salvage “quality time”. What time could be of higher quality than leisure, as Aristotle understood it? But all such remedial gestures underscore the extent to which our society has devoted itself to defeating genuine leisure, replacing it where possible with mere entertainment, and disparaging efforts to preserve oases of leisure as the pernicious indulgence of an outmoded elite.

Probably the most profound meditation on the meaning of leisure is a little book by the German neo-Thomist philosopher Josef Pieper called in English *Leisure, the Basis of Culture*. It consists of two essays, “Leisure and Worship” and “The





Philosophical Act”, both of which Pieper wrote in 1947. They were published together in English in 1952 in a volume introduced by T.S. Eliot. Pieper, who died in 1997 at the age of 93, is pretty much a forgotten figure today. But in the Fifties and Sixties he commanded wide respect and exerted considerable intellectual influence.

The introduction by Eliot is one sign of the seriousness with which he was regarded. Another sign was the book’s reception by reviewers. *The Times Literary Supplement* devoted a long and admiring piece to the book, as did *The New Statesman*. *The Spectator* was briefer but no less admiring: “These two short essays... go a long way towards a lucid explanation of the present crisis in civilization.” The book was also widely noticed in the United States: reviews from *The Nation*, the *Chicago Tribune*, *Commonweal* and *The San Francisco Chronicle* commended it to readers, and the review by Allen Tate in *The New York Times Book Review* probably did as much as Eliot’s introduction to stimulate interest in Pieper.

Pieper not only wrote about leisure. He was also a writer whose work requires leisure (I do not mean simply “spare time”) if it is to be properly read. Not that he is “difficult” or overly technical. On

the contrary, Pieper wrote with a glittering simplicity, but the tinnitization of unsecured life deafens us to such quiet dignity. We must stop to listen if we are to hear these arguments, and stopping and listening are difficult things to accomplish in a world that rejects leisure. Pieper’s is the hard-won simplicity that comes at the end of an intellectual journey. It is the fruit of confident mastery, like *The Tempest* or Beethoven’s String Quartet Op. 135. Pieper had no use for jargon or technicalities. His favoured form is the

**Not that we can necessarily trust everything that goes under the name of philosophy.**

long essay made up of short sentences. His books, almost all shorter than 150 pages, carry quotations from Aristotle, Plato, Aquinas, Descartes and Kant. And yet they somehow escape seeming academic.

This is in part because of the Pieper’s subjects. Although he wrote important books about Plato, he was first of all a specialist in the philosophy of Aquinas. His *Guide to Thomas Aquinas* is a splendid introduction to the intellectual and social world inhabited by the philosopher. It is true that Aquinas does not always elicit clarity from

his commentators. But Pieper wrote about him not as an academic subject but as someone who had irreplaceable things to say about the moral and intellectual realities of life – our life. He manages to make Aquinas’s vocabulary seem the most natural language possible for discussing the subject at hand. (He manages the same trick with Plato and Aristotle.) This is a testimony to Pieper’s rhetorical skill, the highest rhetorical achievement being to make itself invisible.

It also says something about the naturalness of the categories that Aquinas used to discuss moral questions. Pieper first made his name with a series of essays on the so-called Cardinal Virtues: prudence, justice, fortitude and temperance. These terms can seem dated to modern ears. Yet in his book *The Four Cardinal Virtues* (1965) Pieper shows with beguiling straightforwardness that, by whatever names we choose to call them, they are indispensable to the common realities of life.

As is often the case with things that are indispensable, the importance of these principles goes unnoticed until they collapse. Then their centrality snaps into focus. In *No One Could Have Known* (1979), an autobiography that takes Pieper from his birth in a village outside Münster to the end of



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the Second World War, he recounts a chilling story from 1942 when he worked as a psychologist in the German army. Hitler's surprise attack on the Soviet Union had put German troops deep into Russia. Pieper encountered a young man of 18 "who still had the look of a child about him". He wore the uniform of a volunteer driver and worked for the Nazis behind the front. Pieper asked the boy what he did.

"Lately we did practically nothing but transport Jews."

I pretended to be puzzled, not to understand. "Were the Jews being evacuated? Or where did you drive them?"

"No, they were driven into the forest. And there they were shot."

"And where did you collect them?"

"The Jews used to wait

in the market square. They thought they were being resettled. They had suitcases and parcels with them. But they had to throw them onto a big pile. And straight away the Ukrainian militia went after the things."

"And then you drove them to the forest. But the shooting – you were told about it later; it's only hearsay."

Then the boy got very angry in the face of so much distrust and stupidity. "No! I saw it myself. I saw them being shot!"

"And what did you say about that?"

"Oh well, of course you feel a bit funny at first. . . ."

And then?

And then, presumably, moral anaesthesia takes over and you stop thinking about it. In one sense, Pieper's work

aims to provide an antidote to such moral insensibility. Philosophy, of course, is a futile weapon against tyranny, a point underscored by Stalin when he contemptuously asked how many divisions the Pope commanded. But philosophy is not at all futile in helping to create a moral climate intolerant of tyranny, which helps to explain why in the end the Pope prevailed over the tyranny of Communism.

Not that we can necessarily trust everything that goes under the name of philosophy. In his introduction to *Leisure, the Basis of Culture*, Eliot remarked that philosophy had somehow lost its way – philosophy, that is, in an older meaning of the word, as a source of insight and wisdom. Philosophy in this "amplified sense" had been overtaken by technical specialities, of which logical positivism was a conspicuous example. (In retrospect, Eliot suggested, logical positivism will appear as "the counterpart of surrealism: for as surrealism seemed to provide a method of producing works of art without imagination so logical positivism seems to provide a method of philosophising without insight and wisdom".) Pieper's chief importance was to provide a compelling counterexample. "In a more general way," Eliot wrote, Pieper's "influence should be in the

direction of restoring philosophy to a place of importance for every educated person who thinks, instead of confining it to esoteric activities which can affect the public only indirectly, insidiously, and often in a distorted form."

Well, Pieper did provide the example. But it cannot be said that he provided the restoration that Eliot hoped for. With some notable exceptions, philosophy – or the activity that goes under that alias in the university today – is every bit as impoverished and lost in bootless specialisation as it was 60 years ago. More so, perhaps, if for no other reason than that there are so many more people calling themselves philosophers today. Logical positivism was sterile. But at least it made sense.

If Pieper is right, the current disarray of philosophy should come as no surprise. For philosophy in that amplified sense depends on leisure. It is not primarily a mode of analysis but an attitude of openness: it is a contemplative attitude of beholding. It is one of the ironies of contemporary academic life that what is called "theory" in the world of Lit Crit means more or less the opposite of what the word *theoria* meant for the Greeks. Today's "theory" involves the willful imposition of one's ideas upon reality. In its original

sense, however, theory betokened a patient receptiveness to reality. Philosophy, the theoretical activity par excellence, not only depends upon leisure but is also the fulfilment or the end of leisure. Consequently, the obliteration of leisure nat-

**We are not now in the exigent state of Europe in the late 1940s. But more than ever we live in a world ruled by the demands of productivity. Every human enterprise is subject to the scrutiny of the balance sheet.**

urally leads to the perversion of philosophy.

It also leads to a perversion of culture, at least in so far as culture is understood not as an anthropological datum but as the repository of spiritual self-understanding: "the best," in Matthew Arnold's phrase, "that has been thought and said in the world." Leisure guarantees the integrity of high culture, its freedom from the endless round of means and ends. It was Pieper's great accomplishment to understand the deep connection between leisure and spiritual freedom.

Of course there are many obstacles. As Roger Scruton has noted, "leisure has had a bad press. For the puritan

it is the source of vice; for the egalitarian a sign of privilege." There is also the related problem of simple pragmatism. If "maximising profits" is a kind of categorical imperative, how can genuine leisure, not simply periodic vacations from labour, be justified? What is the use of something that is self-confessedly useless?

Defending leisure is always an audacious undertaking. It was particularly audacious in 1947 when Germany was desperately trying to mend its ravaged physical and moral fabric. Especially at such times, leisure is likely to seem a luxury, a dispensable indulgence that distracts from the necessary work at hand. Pieper acknowledges the force of this objection. "We are engaged in the re-building of a house, and our hands are full. Shouldn't all our efforts be directed to nothing other than the completion of that house?"

The answer is that the task of building or rebuilding is never merely a problem of engineering. If it were, human life could be reduced to a problem of animal husbandry. Something more is needed: a vision of society, of the vocation of humanity. And the preservation of that vision is intimately bound up with the preservation of leisure. Even at a time of emergency such as the aftermath of World War





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II – perhaps especially at such times – the task of rebuilding requires a hiatus in which we can reaffirm our humanity. The name of that hiatus is leisure. “To build our house,” Pieper writes, “implies not only securing survival, but also putting in order again our entire moral and intellectual heritage. And before any detailed plan along these lines can succeed, our new beginning, our re-foundation, calls out for a defence of leisure.”

We are not now in the exigent state of Europe in the late 1940s. But more than ever we live in a world ruled by the demands of productivity. Every human enterprise is subject to the scrutiny of the balance sheet. Rest, vacations and breaks are acknowledged necessities, but only as unfortunate requirements for continued productivity. Consequently, free time is not so much a leisured alternative to work as its continuation. The world is increasingly rationalised, as Max Weber put it. Now we face the prospect of a leisure-less

culture of “total work”, a world that excludes the traditional idea of leisure in principle. Pieper found the perfect motto for this attitude in a passage quoted by Weber in *The Protestant Ethic and the Spirit of Capitalism*: “One does not only



work in order to live, but one lives for the sake of one's work, and if there is no more work to do one suffers or goes to sleep.” It is Pieper's task to show us how this credo “turns the order of things upside-down”.

It is a measure of how far the imperative of total work has taken hold that the opposing classical and medieval ideal – that, in Aristotle's phrase, we work in order to be at leisure – seems unintelligible or faintly immoral. Even purely intellectual activity is re-baptised as “work” in order to rescue it from the charge of idleness. The image of intellectual work and the intellectual worker presents us with a vision of the world whose ideal is busyness.

René Descartes promised that, by using his scientific method, man could make himself the “master and possessor of nature”. Three centuries of scientific and technological progress have done a lot to prove Descartes right. Pieper's question is what happens when that technological model of knowledge is taken to be definitive of human knowing. Presented with a rose, we can observe and study it, or we can merely look and admire its beauty. For the intellectual worker, only the former is really legitimate.

Wonder is a waste of time. It produces nothing, nor does it further understanding. Descartes hoped to explain extravagant natural phenomena such as meteors and lightning in such a way that “one will no longer have occasion to admire anything about what is seen”. Far from being a prelude to insight, wonder was an impediment to the technology of knowledge.

Of course, we should not wish to do without the blessings of that technology. We live in a world shaped by the Cartesian imperative, and the first response of any sane person must be “Thank God for that”. But our first response needn't be our only response. Pieper's point is that the discursive knowledge – whose end is the analysis, manipulation, and reconstruction of reality – is not the only model of human knowing.

It is one of the ironies of Pieper's world of total work that, although it underwrites our objective control of the world, it also insinuates a corrosive subjectivism and relativism into our attitude toward the world. “The other, hidden, side of the same dictum... is the claim made by man: if knowing is work, exclusively work, then the one who knows, knows only the fruit of his own,

subjective activity, and nothing else. There is nothing in his knowing that is not the fruit of his own efforts; there is nothing ‘received’ in it.” The moral aspect of this refusal is a kind of spiritual imperiousness, “the hard quality of not-being-able-to-receive; a stoniness of heart that will not brook any resistance”.

Pieper's brief on behalf of leisure is not an attack on work as such. “What is normal,” he acknowledges, is work, and the normal day is a working day. But the question is this: can the world of man be ex-

**More and more, so-called liberal arts institutions are vocational schools at best; at worst they are circuses of narcissism.**

hausted in being the “working world”? Can a human being be satisfied with being a functionary, a “worker”? Can human existence be fulfilled in being exclusively a work-a-day existence? Or, to put it another way, from the other direction, as it were: Are there such things as liberal arts?

In *The Idea of a University*, Pieper points out, Newman translates *artes liberales* as “knowledge possessed of a gentleman,” that is to say, knowledge born of leisure. An index of the spiritual plight

that Pieper describes is the collapse of liberal arts in our society. More and more, so-called liberal arts institutions are vocational schools at best; at worst they are circuses of narcissism. The *scholē*, the leisure, has effectively been drained out of school, as “job training” becomes the sole justification for education.

Again, Pieper does not dispute the importance of training. We cannot do without “the useful arts” – medicine, law, economics, biology, physics: all those disciplines that relate to “purposes that exist apart from themselves”. The question is whether they exhaust the meaning of education. Is education synonymous with training? Or is there a dimension of learning that is undertaken not to negotiate advantage in the world but purely for its own sake? “To translate the question into contemporary language,” Pieper writes, “it would sound something like this: Is there still an area of human action, or human existence as such, that does not have its justification by being part of the machinery of a ‘five year plan’? Is there or is there not something of that kind?” To answer yes is to affirm the province of leisure. It is to affirm the value of uselessness, the preciousness of a dimension free from the realm of work. 🐾



# IFT

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## THE PROTECTIONIST ZOMBIE IS BACK

by Toby Baxendale

Every generation or so, like a zombie, the case against free trade rises from the grave. It's doing so now. The jungle drums of protectionism are beating in America and Britain just as it prepares to escape the yoke of the EU. With my garlic, sharpened stake and the use of reason, I will now do my bit to stab this zombie in the heart and be done with it... until the next time.

Individually, instinctively, we are all free traders. That may come as a surprise

to some, but when a doctor chooses to employ a skilled receptionist – despite the fact that the doctor can answer the phones, file case notes, write referrals and set up hospital appointments, more accurately and faster than the receptionist – the surgery can be more productive, as the doctor can see more patients.

In economic terms, the doctor has an *absolute advantage* over the skills of the receptionist. If our doctor used this absolute

**The human condition is not about the survival of the fittest or the selfish gene: we are destined to work together.**

advantage, he or she would be faced with doing all the clerical tasks and neglecting medical duties. This would lower the productivity and effectiveness of the surgery. Contrast this with playing to the doctor's *comparative advantage*: the doctor focuses on skills that the receptionist does not have, to advance the interests of as many patients she can.



If we turn to the receptionist, this is of course a joyous outcome, as he or she does not have to compete with the better-educated doctor for work, only with people of similar talent. Free trade will always mean that the poorest members of society and the least skilled have a valid role that plays to their own comparative advantages. Human co-operation on this level is so obvious that it should not need any advocacy at all.

On a countrywide level, you can replace “doctor” and “receptionist” with whatever combination of the same industries you want, but it will never pay for one nation to follow a policy of competing to its absolute advantage. It will always pay for that country’s industries to concentrate on growing its trade in areas where it has superiority.

The doctor and the receptionist are not rivals in the economy, but co-operating individuals whose specialisation in their joint endeavours is to everyone’s advantage. The industries of nations are likewise not rivals, but gigantic webs of peaceful, competitive and extended human co-operation across the face of the earth. The more co-operation, the

deeper the benefits. This is the natural outcome of the human condition. Faced with not living in a heaven of unlimited goods and services, we can only seek co-operation if we want to benefit from the maximum output of goods and services for all. The human condition is not about the survival of the fittest or the selfish gene: we are destined to work together.

Protectionist bodies, such as the European Single Market, whilst seemingly great for all those who trade within its boundaries, actually diminish the pool of talent with which its participants can co-operate. By erecting tariffs, you exclude those who are now made less competitive by the tariff, and therefore displace any advantage the Single Market participants would have gained by playing to their comparative advantages. This increases the costs of the Single Market participants and discriminates against those against whom the tariffs are set. The people in the protectionist zone sacrifice, at the margin, their prosperity. Everyone loses. Even the participants in the protected zone, who think their local pig industry is saved, pay more for the commensurate goods and services.



**The industries of nations gigantic webs of peaceful, competitive and extended human co-operation.**

For the richest, this will make a smaller impact than on the poorest. Protectionism always hits the poor the hardest.

The 19<sup>th</sup>-century entrepreneur and Liberal parliamentarian Richard Cobden knew this so well. With a small group of fellow entrepreneur manufacturers, he took on the might of the

aristocracy, who had succeeded in establishing tariffs to protect their agricultural estates from cheap imports. Cobden made the case for abolishing the Corn Laws (the catch-all term for protective food tariffs) in favour of unilateral free trade. One of his finest orations was delivered in the House of Commons on March 13, 1845, and described by his biographer John Morley as probably the most powerful speech he ever made:

*Men on the Tory benches whispered to one another,*

*“Peel [the Prime Minister of the day] must answer this”. But Peel crushed in his hand the notes he had made and remarked, “Those may answer him who can”.*

The establishment of universal free trade in the mid-nineteenth century created the greatest period of growth in our nation’s history. I truly hope that our political masters will not listen to the vested interest groups and will be brave enough to establish unilateral free trade now as Britain leaves the protectionist EU. 🐶



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## HOW TO MAKE THE EUROPEAN UNION POPULAR AGAIN

by Pieter Cleppe

In the course of the last year, the UK has been accused of “threatening” to go for the so-called Singapore option in case the European Union is inflexible during the Brexit negotiations. In particular, the Chancellor

Philip Hammond has suggested that the country may cut taxes in retaliation for the EU complicating Brexit.

First of all, we should ask what would be so threatening for the EU if Britain does this.

**If only the EU would become what it was sold to the British as in the 1970s – a mere free trade arrangement – it could be popular again.**

A stronger UK economy – the result of relaxing the tax burden on those who



**If the West had kept its doors shut until Beijing somehow magically converted to Western liberalism, none of the 700 million Chinese would have been lifted out of poverty.**

are creating wealth – would also benefit the economies of mainland Europe, as they trade extensively with the UK. The German car manufacturer would be able to sell even more cars to the British. It would also put pressure on European governments to lower their own corporate tax rates.

Second, the UK was already lowering its corporate tax rate before the Brexit vote, in response to international competition. There are similar corporate tax cuts (or plans for tax cuts) in Finland, the United States, Belgium, the Netherlands, France, Japan and Italy. Even the German finance minister Wolfgang Schäuble has promised to cut corporate tax, oddly enough not long after warning Britain not to do so in the context of Brexit.

The UK may or may not lower its corporate tax rate after Brexit. But what may indeed lead it down the Singapore route is trade policy. Britain will be able to decide its own tariffs and conclude trade

deals on its own, as this power will be transferred to it after it leaves the customs union, which may happen only some time after Brexit, given that Britain needs to adapt its own customs bureaucracy first.

One of the main features of Singapore is its policy of unilateral free trade, to a great extent at least, something it has in common with Hong Kong and South Korea. While there are many things that could be improved in Singapore, starting with its lack of free speech even when it comes to the city-state's economic policy, its trade openness is clearly the core factor in its enormous economic growth over the past 50 years.

So why are so many people against unilateral free trade?

Many commentators feel it is unfair to allow market access to businesses from countries that do not offer the same kind of market access in reciprocity. China, for example, obviously does not practise free trade. Instead, it has a corrupt protectionist state-driven economic model. That model is, however, already a massive improvement on China before it opened up to the world in 1978. If the West had kept its doors shut until Beijing somehow magically converted to Western liberalism, none of the 700 million

Chinese would have been lifted out of poverty and no cheap products would have been enjoyed by Western consumers, helping them to cope with ever-expanding tax and regulatory burdens.

European and American protectionist populists may argue that China has eroded the West's manufacturing base, hurting the middle classes badly. That is an incorrect assessment. The problem is not so much that businesses have moved to countries where people are still willing to do the hard work needed

to produce basic materials, and that this has destroyed jobs. The real problem is that, thanks to the burdensome tax and regulatory policy choices of the West – including America, where the corporate tax rate has risen to 35 per cent – not enough new jobs have been created. While China has been experimenting with elements of capitalism, the West has been lured into adopting elements of socialism, despite the massive failure of this model of development in Russia and many other countries.

Insisting on reciprocity means, in practice, closing your markets. Which countries in the world have done the most to restrict trade and promote self-sufficiency? Zimbabwe and North Korea.

Surely, some middle way should be found, some may say. In order for companies to grow into world players, they need some state protection first; when they have grown up it's fine to stop protecting them. Here's how to deal with this argument: while it is true that some companies do benefit from protectionism, one

should look at the total cost to the economy.

First, protectionism faces consumers with either less choice or higher prices of products and services. Second, companies that do import bear the brunt – and these days it's getting harder to distinguish between importers and exporters, given the ever more complex cross-border supply chains in many industries. Protectionism distorts market processes, reducing prosperity. To deal with the restrictions, companies need to







find second-rate service providers or pay more for goods than they would have otherwise. In orthodox economics, one needs to look at the interests of the consumer, as the French nineteenth century economist Frederic Bastiat so eloquently pointed out. Why? Everyone is a consumer, plain and simple.

Some may object that unilateral free trade is mainly good for the strong in society. This has also been refuted by evidence. Open Europe's very first research paper back in 2005 concluded that EU protectionism mainly hurts society's poorest members, given that they spend the highest percentage of their income on food and clothing compared to

wealthier income groups. Food and clothing are precisely the kind of items made more expensive as a result of the EU's protectionism.

If food is so important, shouldn't the European Union – or Britain after Brexit – shield its agricultural markets and shower them with subsidies? We wouldn't want to have our food supply shut off by Russia, would we? Again the facts reveal the obvious. When New Zealand opened up its agricultural sector at the beginning of the 1990s, food production tripled. In contrast, while its counterparts in New Zealand are thriving, Europe's dairy sector has become ever less competitive. That's no surprise, given that it's forced to

operate in the context of the EU's economic model for agriculture. Protectionism is precisely what undermines the vibrancy of our agricultural sector.

Opening up trade unilaterally isn't only about slashing tariffs on imports to zero. It's about allowing goods to be imported easily, making the process of inspecting them at the border as smooth as possible. It's about allowing services and goods providers from other countries to offer their services in a convenient way, getting rid of the unnecessary bureaucracy required to buy a car in another country or to buy insurance from abroad. It's about a predictable, open and smooth process for

immigration. While the differences in levels of wealth in today's world may still be too big to allow completely unrestricted migration, there is no reason why people who apply for a work visa shouldn't get a quick answer or why the process shouldn't be fluid for businesses.

At Open Europe, we've pointed out that the UK has massive opportunities to boost its trade after Brexit, suggesting that it should prioritise China, India, Pakistan, Bangladesh, Israel and Nigeria. These opportunities are just as great for the EU27. The EU should stop trying to overload trade agreements with all kinds of technical standards and understand that countries won't be lining up to trade with Europe if it insists that they need to abide by Brussels regulations. Also, the UK or the EU should try to convince protectionist countries like China, which will not accept a complete opening of markets, to at least open certain sectors of its economy or adapt its regulations for a specific sector in order to allow foreign companies to provide services. Also, If EU-US trade talks are revived, why link the opening of agricultural markets – a thorny issue everywhere in the world – to the opening of other, less controversial, markets?

With regard to freeing up internal trade, there is much the European Union can still do. It should learn from Brexit and realise that a member of the club is leaving because the club hasn't been focusing on its core job: to scrap barriers to trade between countries. Buying a car in another EU member state or using the services of foreign airline or telecom operator should not be dif-

**With regard to freeing up internal trade, there is much the European Union can still do. It should learn from Brexit and realise that a member of the club is leaving because the club hasn't been focusing on its core job: to scrap barriers to trade between countries.**

icult. Every time the EU has faced opposition, it's because it is organising fiscal transfers, imposing conditions linked to these fiscal transfers or sticking its nose into most sensitive topic in every country in the world: immigration.

If only the EU would become what it was sold to the British as in the 1970s – a mere free trade arrangement – it could be popular again. The EU's insurance market hasn't been opened

up. Its attempt to boost the free flow of services got stuck more than 10 years ago. Why not allow a limited number of European countries to open up their services markets for each other, bypassing approval by the likes of Germany? And if Brussels keeps failing to close large-scale trade deals, why not let single member states try their luck? Iceland, Norway and Liechtenstein are part of the EU's single market but can already close their own trade deals.

In conclusion: a new push is needed to reinvigorate Europe's sclerotic welfare states, and more trade openness is the way to get this going. While multilateral trade deals and grand bilateral trade agreements have proved hard to close, unilateral free trade hasn't been properly tried in Europe. With Brexit, the UK has the chance to do so and the countries of the EU can be inspired by its success. 🐶



**Pieter Cleppe**

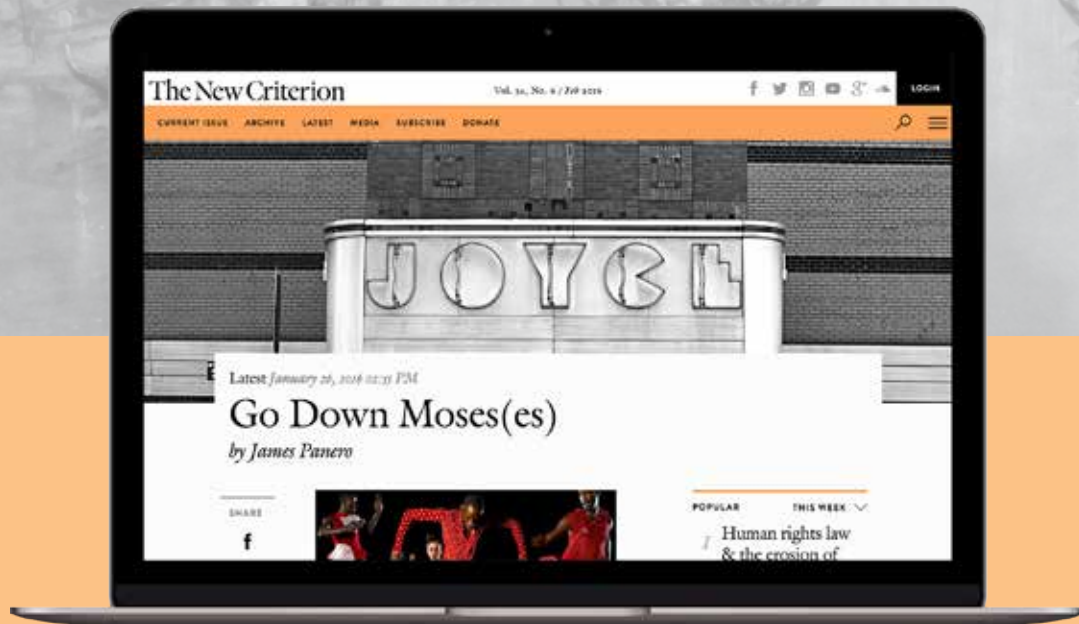
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## CONSERVATIVE MUSIC

### IS IT OK TO ENJOY MARXIST MUSIC?

by Jay Nordlinger



Not long ago, the New York Philharmonic began a concert with *The Chairman Dances*, a 1985 piece by John Adams, the American composer. It has a subtitle: *Foxtrot for Orchestra*. (Shostakovich wrote a *Tahiti Trot* – his orchestral treatment of the popular song “Tea for Two.”) *The Chairman Dances* springs from a bigger Adams work, *Nixon in China*, an opera.

The smaller piece has long been popular on American orchestral programmes. And Peter Martins, the Danish choreographer, made a ballet of it.

In the manner of other Adams works, *The Chairman Dances* begins with peppy minimalism. It grows screwy, psychedelic, corny, yawpish and eerie. It is a strange and clever piece. And an enjoyable one. Few can dislike it.

I myself am uneasy with it. There is a shadow over the piece, for me. Why? Well, because of the Chairman: Mao Zedong.

If you'll forgive the arrogance, I simply know

“What if there were a piece called *The Führer Dances*? No one would sit still for it, right?”

#### Jay Nordlinger

is a senior editor of *National Review* and the music critic of *The New Criterion*. He is the author of *Peace, They Say: A History of the Nobel Peace Prize* (Encounter Books). His latest book is a study of the sons and daughters of dictators: *Children of Monsters* (also Encounter). He lives in New York. @JayNordlinger

too much about him. He is more than a figure in an Andy Warhol print. He is more than the Great Helmsman. He is one of the great tyrants, murderers,

and horrors of all time. Even in the line-up of totalitarian dictators, he stands out. I know many Chinese whose greatest dream is this: the tumbling down of Mao's portrait in Tiananmen Square.

Now, the rule is, you're never supposed to mention Hitler. This is not a rule I always follow. What if there were a piece called *The Chancellor Dances*? Or *The Führer Dances*? No one would sit still for it, right?

There are no words to *The Chairman Dances*. It's just music. Yet I have a hard time divorcing the music from the person named in the title. The piece leaves a bad taste in my mouth, I guess.

On another night in New York, Igor Levit played a recital. He is a Russian-German pianist (and superb). He champions Frederic Rzewski, another American composer (whose name is pronounced “ZHEV-ski”). Rzewski likes to write music on political themes: mill workers, prisoners, war, etc.





He is a man of the Left.

Levit played movements of a piece called *Dreams*, which is apolitical, so far as I can tell. It's true that Rzewski employs a tune of Woody Guthrie, the old singer-songwriter-activist. But it's a children's song, and innocuous.

Rzewski's magnum opus is *The People United Will Never Be Defeated!*, a set of 36 variations. Levit has recorded this work to considerable acclaim alongside two canonical works: Bach's *Goldberg Variations* and Beethoven's *Diabelli Variations*.

The tune came from Chile in 1973 ("¡El pueblo unido jamás será vencido!"). It is an anthem of the Latin American Left. Two years later, Rzewski composed his variations, in solidarity. Speaking of solidarity, there are other tunes in these variations – including "Solidarity Song", whose words are by Bertolt Brecht and whose music is by Hanns Eisler.

A curious fact about Eisler? He wrote the national anthem of East Germany – or the "German Democratic Republic," as the Communists styled it.

The very notion of this work – the Rzewski "People" piece – is obnoxious to me.

But... it is a commendable, admirable piece of music. The variations are interesting. They are various, as variations should be. They are unified (like the People?), they compel. In fact, *The People United Will Never Be Defeated!* is one of the best long works for piano in the modern era.

Where does that leave me? A little "conflicted," as the shrinks say.

**The very notion of this work is obnoxious. But it is an admirable piece of music.**

Recently, I gave a talk to college students. Its theme was: "Cool it on the politics. There'll be time enough for that later." Not everything need be political, I said. There are zones that should be free, or relatively free, of politics – such as music. When I was a student, there was a slogan: "The personal is the political." This I rejected emphatically and I recommended that others do too.

The students would have none of it (many of them). They had never heard the slogan "The personal is the political" but they liked it. Believed it. Right down to one's musical preferences.

This I found sad and a little alarming.

In 2004, President George W. Bush was running for reelection against Senator John Kerry, and Linda Ronstadt was giving concerts. At each one, she dedicated a song to Michael Moore, the Leftist documentarian and a great foe of Bush. She let it be known that she was uncomfortable with Republicans and fundamentalist Christians in her audience.

Okay. But a lot of people, of many stripes, have always loved Linda. Does she really mean to kick them (us) out?

The other day, I was in a restaurant or a store when an oldie came on: "Steal Away", from 1980. It is a song by Robbie Dupree. A marvellous song, it filled me with gladness and warmth. I decided I would tweet about it – and look up Dupree on Twitter. I found him, and read some of his tweets. They were scaldingly political. He is no fan of the likes of me, politically speaking. But I'm a fan of his. I tweeted that, as far as I was concerned, "Steal Away" was as timeless as a Schubert song.

Politics casts a shadow over so much. I say, keep it at bay, when you can. 🐾





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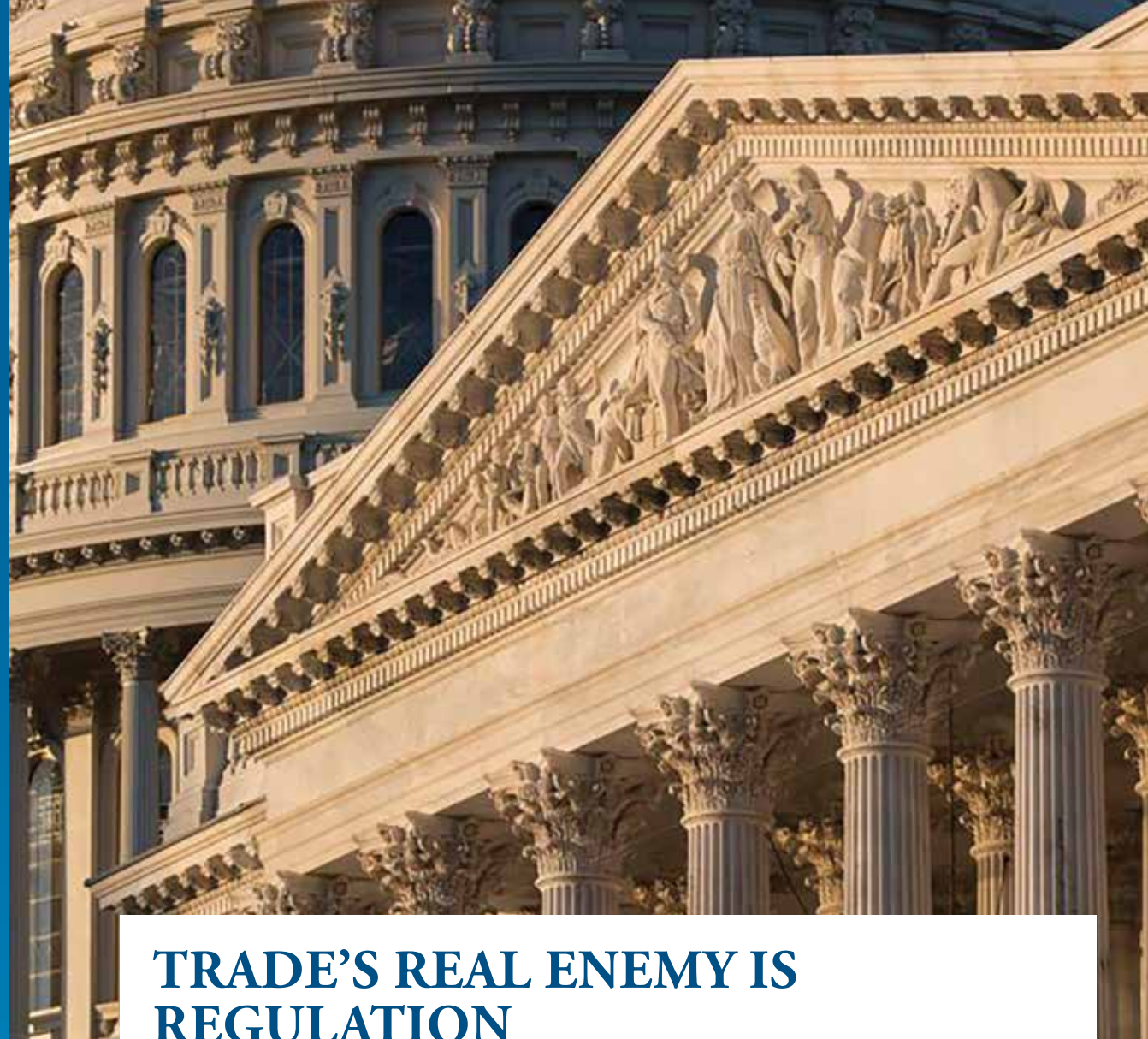


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## TRADE'S REAL ENEMY IS REGULATION

by Iain Murray

Free trade has brought countless benefits over the past two centuries. It allows for specialisation among nations that has brought down the cost of living for people the world over. Unfortunately, it is now in peril.

Mercantilism – the idea that exports are good and imports are bad – is back in

fashion. Populist politicians around the world rail against jobs lost to other countries and demand punitive tariffs. Trade megadeals like the Trans-Pacific Partnership and Transatlantic Trade and Investment Partnership are dead or dying.

Yet we may still see some positive developments that

**Frustrated displaced workers look for a cause of their woe. As a result, trade gets blamed for problems caused by regulation.**

will increase freedom and the benefits from trade. It depends on politicians' willingness to give up control.

That's because trade's enemy number one is



something politicians love: regulation. Trade leads to what Joseph Schumpeter called “creative destruction” – old industries and companies that can no longer compete disappear, giving way to more beneficial and creative industries and businesses.

Heavy-handed regulations impede that creative process. Labour regulations, for example, may help someone hold on to an existing job. But when that job is rendered obsolete by competition, that same person will find it much harder to find a new job because those same regulations make hiring more expensive. Companies are not formed and economic opportunities are missed. Frustrated displaced workers look for a cause of their woe. As a result, trade gets blamed for problems caused by regulation.

That gives cover to politicians looking to protect domestic industries from increased foreign competition. They use regulation as a sort of backdoor tariff. If you cannot charge a tariff on imports, you can effectively ban them by imposing onerous regulations that erode other nations’ competitive advantage – in a phenomenon called “non-tariff barriers”.

A widely accepted approach for addressing

non-tariff barriers has been to negotiate increasingly complex trade deals, trading off a barrier on one side for one on the other, and “harmonising” regulations across borders. The problem is that harmonisation has generally meant ratcheting up regulatory requirements to meet the most onerous among an agreement’s parties.

This led to a global trade regime that cannot accurately be called free. The big trade deals are really about managed trade, with politicians and bureaucrats set-

**Reduced regulatory burdens would enable greater economic growth by allowing creative destruction to give many countries’ economies a necessary shake-up.**

ting the parameters for trade. Non-tariff barriers have been a major issue of contention in negotiations of the General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organisation.

The European Union took harmonisation of non-tariff barriers to unprecedented levels. The EU created a customs union in which most trade within the union was subject to the same regulations. However, the union

also acted as a giant non-tariff barrier to the rest of the world. For example, African countries desperate to sell their agricultural produce in Europe found themselves unable to do so because of the dictates of the Common Agricultural Policy. World trade found itself segmented into regional blocs such as the EU and the North American Free Trade Agreement.

These regional blocs have done little to gain popular support for even slightly liberalised trade. The problem has been the impact of domestic regulations on various industries. Americans who have lost manufacturing jobs to Mexico or China now find themselves in a job market where 25 per cent of professions require occupational licensing, a major barrier to starting your own business. With the annual cost of regulation on the US economy approaching \$2 trillion, fewer small and medium-sized businesses are being created, and historically it has been those businesses that have provided new jobs.

Yet there is a way forward for trade policy. Even a vocal free trade sceptic like President Trump has said that he is open to a free trade agreement with a post-Brexit Britain. Other advanced economies such as Canada, South



Korea and Australia have said the same. If these agreements go back to the original premise of GATT – “a substantial reduction of tariffs and other trade barriers ... on a reciprocal and mutually advantageous basis” – it could be possible to negotiate trade agreements based on mutual recognition of regulatory systems, rather than regulatory harmonisation.

Such trade deals would help advance not more regulation, as is the case with harmonisation, but less onerous regulation as a result of competition. Moreover, if a principle were to be set that countries that meet certain minimum but exacting standards for stable business

**Mercantilism – the idea that exports are good and imports are bad – is back in fashion.**

environments could join the club, it would encourage economic liberalisation in other areas worldwide. Requirements should include recognition of private property rights, strong rule of law and contract protection. Meanwhile, reduced regulatory burdens would enable greater economic growth by allowing creative destruction to give many countries’ economies a necessary shake-up.

Such a new world trade order is plausible, but it would require a radical change of approach from

developed world governments. With that in mind, the first thing Theresa May should do after her likely re-election in June is to call a meeting of her allies to discuss how such a “GATT 2.0” could help spread the benefits of world trade. 🐶



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FREE MARKET ADVANCES

## TRUMP IS TURNING INTO QUITE THE LIBERALISER

by Kristian Niemietz



“What’s wrong with staying in the EEA for a few years after Brexit?”

**Dr Kristian Niemietz**

is Head of Health and Welfare at the Institute of Economic Affairs (IEA), London. He studied Economics at the Humboldt Universität zu Berlin and the Universidad de Salamanca, and Political Economy at King's College London, where he also taught Economics. @K\_Niemietz

The dividing lines on Brexit run not just between but also within political camps in Britain, including free-market liberals. Why? Because it is so hard to predict how the process will play out. Brexit could become a great free-market success story, or a retrograde step, or anything in between. It depends entirely on what domestic policies and what international arrangements the UK will adopt post-Brexit.

A free-market Brexit would mean freer trade with the rest of the world, continued free trade with the EU-27, a shedding of EU-derived red tape, and a replacement of the Common Agricultural Policy and the Common Fisheries Policies with market-based alternatives. But we could also imagine an overhasty, overly hard Brexit, which prioritises erecting barriers to EU immigration above everything else, even if this means torpedoing trade negotiations.

For a while, it looked suspiciously as if we were heading for the latter. However, according to Politico Europe, the so-called “Norway option” is now back on the table as a

Plan B. If Brexit negotiations cannot be concluded within two years, Britain could, as an interim option, stay in the European Economic Area (EEA) after leaving the EU and the Customs Union. This would greatly reduce the risk of a cliff-edge Brexit, which would disrupt trade and integrated supply chains.

“Hard Brexit” advocates are hostile to the Norway option, especially because it involves continued free movement of labour. But let’s remember: the traditional Eurosceptic argument has always been that the UK originally signed up for a common market, *not* a political union. That common-market-only vision of Europe has never completely gone away. It has morphed into what is now the EEA. So what’s wrong with staying in it for a few more years after Brexit? The UK could still seek a more distant relationship with the rest of Europe in the long term, but it would do so from a more comfortable starting position.





Free-marketeers tend to be suspicious of regulatory agencies, even the ones whose *raison d'être* they accept in principle. Such agencies have a vested interest in their own growth, and are easily captured by the special interests they are supposed to regulate.

But there are exceptions. America's Federal Communications Commission (FCC) is currently pushing for a repeal of a spate of regulations brought in by the Obama administration. Under those "net neutrality" regulations, internet service providers are not allowed to discriminate between different content providers. They cannot, for example, selectively slow down some websites, and speed up others (such as those with whom

they have a special deal, or which are operated by the same company).

"Neutrality" and "non-discrimination" sound good – or they would, in a world of unlimited telecommunication data capacity. But, given that capacity is constrained, it has to be managed somehow; otherwise, internet connections just become slower and/or more expensive across the board.

To use an analogy, we don't have "retail neutrality" either. Supermarkets pre-select products for us, and then discriminate in favour of some of them, by placing them where they are most visible or accessible. They can even discriminate in favour of their own in-house brand. Does that give them undue "power" over us? No. If we don't like the selection they make, we can go to

a different retailer. The same is true for internet providers. If the FCC gets its way, the US would return to the period of light-touch internet regulation, a period during which the sector witnessed fast growth and steadily falling prices.

American free-marketeers have been unusually pessimistic of late, and who can blame them, given Donald Trump's protectionist and corporatist credentials. But Trump seems to be abandoning some of the economic policies he campaigned on: his plan to take the US out of the North American Free Trade Agreement (Nafta) is off the table for now. A year ago, that would hardly have been considered good

news – why would anyone even contemplate leaving Nafta? – but it is now, relative to expectations. Nafta seeks economic cooperation without harmonisation or political integration. It is, as Daniel Hannan points out in his book *What Next?*, "the last classical free-trade area [...] built on the principles of mutual recognition and open competition". An end to Nafta would not just have been bad news for the economies directly affected; it would also have been a blow for advocates of that liberal variant of trade agreements.

Brazil has also been in the news a lot recently, in connection with violent strikes and protests. While clearly not good news in its own right, those protests are a response to the country's attempts to come to grips with some of its deep structural problems. Above all, President Michel Temer's government is raising the retirement age to 65, a step which is long overdue. Brazil's population is ageing rapidly. As recently as in 1980, the birth rate still stood at four children per woman of childbearing

age. It has now fallen to less than two. Over the same period, average life expectancy rose by about 12 years. And yet most people continue to retire in their mid-50s. This is clearly unsustainable, and you ultimately cannot win a strike against basic arithmetic.

Granted: Neither of these are spectacular success stories. They are more about reversals of previous bad decisions. But given the global backlash against free markets from Left-wing (and sometimes Right-wing) populists, maybe this is as good as it gets for now. 🐶



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## WHY SMALL COUNTRIES ARE RICHER AND HAPPIER

by Hannes H. Gissurarson

One of the most remarkable developments of modern times is the proliferation of small states. One reason for this is the disintegration of colonial empires, beginning in 1776 with the American revolution, when 13 small British colonies successfully fought for their independence and formed a federation, the United States. In the 19th century, the Spanish and Portuguese empires in Latin America broke up, while in the First World War the Russian, Ottoman and Habsburg empires all collapsed. The disintegration of empires coincided with the advance of democracy. In 1914, there were only 13 properly functioning democracies in the world; now there are 89. The number of independent countries has gone up from 76 in 1946 to 195 in 2017, of which 193 are members of the United Nations, while two countries have a special status, the Vatican City and Taiwan.

Although the triumph of democracy after the Second World War encouraged the foundation of small states,

its main impetus was the expansion of international free trade. In 1776, Adam Smith had given the generally accepted explanation of wealth creation: division of labour and free trade. But Smith also noted that “the division of labour is limited by the extent of the market”. This is not an acute problem for a large political unit like the long-gone Habsburg empire or the present-day US where the domestic market is big. But for a small country protectionism is much more costly. If its economy is closed, the inhabitants forgo the benefits of a more extensive market. If, on the other hand, the economies of many countries are open and the inhabitants trade freely with one another, they reap the benefits of the division of labour. Thus, perhaps paradoxically, economic integration makes political disintegration, or at least decentralisation, less costly and therefore more likely.

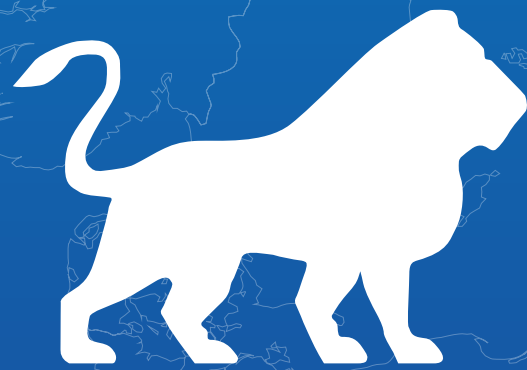
Indeed, small states usually have more open economies than large ones. They rely more on international

**A combination of large markets and small states makes eminent economic sense. It also makes political sense.**

free trade. Unsurprisingly, they tend to be wealthier. Of the ten richest countries in the world today, in terms of GDP per capita, only four have populations over one million: the United States (320 million), Switzerland (eight million), Norway (five million) and Singapore (six million). Of these five countries, four would normally be considered small, while one is a federation of 50 states.

Again, of the five largest states in terms of population, China, India, the United States, Indonesia and Brazil, only America is really a rich country. There are two additional reasons why small states tend to have open economies. First, they are usually homogeneous, which may make it more difficult for special interest groups to distort political decisions in their favour. Secondly, small economies usually have little or no control over world prices. It is therefore





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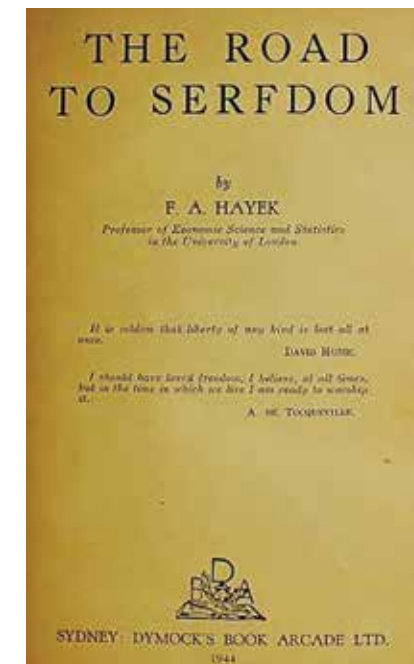
## EUROPE'S FASTEST GROWING POLITICAL MOVEMENT

even more inefficient than in larger economies to subsidise domestic products in order to give them an advantage over imports. The benefit for the domestic producer will be much smaller than the cost for local consumers.

Thus, a combination of large markets and small states makes eminent economic sense. It also makes political sense. Large markets, bound together only by free trade, enable strangers who inhabit different and often distant countries to cooperate as producers and consumers. These individuals need not live together or like one another. Their interactions are confined to what is of mutual benefit to them; they are neither unwilling neighbours nor reluctant compatriots, only customers. This is the basic truth in two trenchant historical observations by supporters of free markets. "Had we advanced so far as to see a good customer in every foreigner, there would be much less inclination to shoot at him," the Anglo-German politician John Prince-Smith said in 1860. "If soldiers are not to cross international boundaries, goods must do so," wrote

American economist Otto T. Mallery in 1943.

Small nations make no less political sense than large markets. They tend not to be as militant or aggressive as larger powers. Moreover, they can be expected to be homogeneous, implying a high level of trust as well as social cohesion, widespread



solidarity and transparency. All of this facilitates the spontaneous mutual accommodation of different individuals.

This was recognised by the Anglo-Austrian economist and political philosopher Friedrich von Hayek, who wrote in his 1944 book, *The Road to Serfdom*: "In a small community

common views on the relative importance of the main tasks, agreed standards of value, will exist on a great many subjects. But their number will become less and less the wider we throw the net: and as there is less community of views, the necessity to rely on force and coercion increases." In the midst of war, Hayek reflected on recent history: "It is no accident that on the whole there was more beauty and decency to be found in the life of the small peoples, and that among the large ones there was more happiness and content in proportion as they had avoided the deadly blight of centralisation."

While large markets encompassing many small states with open economies should certainly seem realistic and desirable to free traders, the problem of vulnerability remains. Therefore, small states often enter into alliances. If they had not been united, the 13 colonies on the east coast of North America would not have defeated the British. Such alliances may become federations, as the US did.

Europe, on the other hand, developed differently. After Hitler and Stalin



divided up Europe in 1939, for a while only six democracies remained (three of them islands): the United Kingdom, Ireland, Iceland, Sweden, Finland and Switzerland. Learning from history, Western democracies in 1949 founded a defence alliance, Nato, mainly based on the great military strength of America. Limiting itself to clear and narrow objectives, Nato has had more success than most other international organisations.

But for small nations, the arguments for military alliances are stronger than for customs unions. Why should it take lengthy negotiations for a country to lower tariffs, since it is obviously in its own interest? Free trade should extend to the whole world, not only to the fellow members of a customs union. This is why the European ideal for free traders should be an open market rather than a closed state. They should wish to see the European Union as a loose federation of small and medium-sized states rather than a large, unified and harmonised federal state, with the pretensions of a superpower.

A federation of different states – on the model perhaps of the Swiss federation – has the additional

**While large markets encompassing many small states with open economies should certainly seem realistic and desirable to free traders, the problem of vulnerability remains.**

advantage of increasing political competition for citizens, or rather taxpayers and wealth creators. Thus it may act as an important constraint on power, as Edward Gibbon eloquently argued in his *History of the Decline and Fall of the Roman Empire*:

*The division of Europe into a number of independent states, connected, however, with each other, by the general resemblance of religion, language and manners, is productive of the most beneficial consequences to the liberty of mankind. A modern tyrant who should find no resistance either in his own breast or in his people, would soon experience a gentle restraint from the example of his equals, the dread of present censure, the advice of his allies, and the apprehension of his enemies. The object of his displeasure, escaping from the narrow limits of his dominions, would easily obtain, in a happier climate, a secure refuge, a new fortune adequate to his merit, the freedom of complaint, and perhaps the means of revenge.*

*But the empire of the Romans filled the world, and, when that empire fell into the hands of a single person, the world became a safe and dreary prison for his enemies. The slave of Imperial despotism, whether he was condemned to drag his gilded chain in Rome and the senate, or to wear out a life of exile on the barren rock of Seriphus or the frozen banks of the Danube, expected his fate in silent despair. To resist was fatal; and it was impossible to fly.*

Free trade in Europe requires a common European market, which should as a matter of course also be open to other international markets. But it certainly does not need a new Roman empire, imposed on the small nations of Europe. 🐾



**Hannes H. Gissurarson** is Professor of Politics at the University of Iceland and author of many books in Icelandic, English and Swedish. His article is based on a longer report on small nations for the Brussels think tank New Direction.

## A ROSÉ BY ANY OTHER NAME

by Iain Martin

Soon it will be time for a glass of rosé. Not this minute, as I write, because an annoying cold front has swept across the UK and temperatures are back being unseasonably low after a brief and joyous period in which there was sunshine and the barbecue in the back garden could be put into service. On the Cote d'Azur, I see from a distance, checking the forecast, temperatures are nudging upwards and the sun is out. In Florence it is even warmer and the lucky Spaniards in the south of that great country are contemplating a weekend involving only clear, blue skies.

This not only makes me want to get on a plane to head out of Britain, it prompts excitement at the anticipation



**“Jimi Hendrix quaffed Mateus Rosé between joints and guitar solos.”**

**Iain Martin**

is a commentator on politics and finance. His latest book *Crash Bang Wallop: the inside story of London's Big Bang* and a financial revolution that changed the world is published by Sceptre. He is based in London.

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of what lies ahead as soon as we catch up and get some sustained warmth. Warm weather means it is rosé time.

Not all my friends who are wine professionals – critics or experts in the trade – dismiss rosé out of hand. I have had many happy conversations with one of the very best critics, my friend Will Lyons of *The Sunday Times* in London and of Berry Brothers & Rudd on St James's, about the enduring appeal of pale, pink wines. Every year he offers advice as I embark on my annual search for the palest pink wine possible. Such wines usually (not always) come from Provence, about which more later.

But is it fair to say that rosé is not regarded by connoisseurs as a proper or serious





## CONSERVATIVE WINE

wine worthy of study. It does not travel, as they say, meaning that what tastes refreshing by the pool in the Languedoc tends to lack lustre when swilled on a cold and grey day in Berlin, Brussels, Birmingham or Belfast. "It is refreshing, like an ice lolly on holiday," says another critic dismissively who mocks my attempts to persuade the wine committee of a London club of which we are both members to take the pink stuff seriously enough to put a decent one on the list for the sweltering summer months, or summer weeks in the case of London.

Such snootiness is not hard to explain. In the UK it can be blamed in part on the entrepreneurial wizardry of a famous Portuguese wine family led by Fernando van Zeller Guedes. Port sales had collapsed during the Second World War and, for the want of something else to do, wine-makers invented Mateus Rosé.

In the 1960s it began to sell properly to the Brits, who were experiencing a burst of prosperity that resulted in a revolution in tastes. Jimi Hendrix quaffed Mateus Rosé

between joints and guitar solos. Imported wine became accessible and affordable, and food began a long and remarkable improvement in quality and diversity. No government planned it. Capitalism worked its magic. Nato kept the peace in Western Europe.



**After all, what's wrong with a spot of sunshine? Sometimes it produces the best memories.**

People travelled, experimented with food and enjoyed it. They had their demands met by the rise of supermarkets, chefs and restaurants keen to make money. I digress.

By 1983, some three million cases of Mateus Rosé were

being sold each year, primarily to consumers in the UK and the US. Women liked it and you can imagine the horror this induced in (male) wine critics. Jokes were made about the quality and low price. The Iraqi dictator Saddam Hussein was said to regard Mateus

Rosé as his favourite wine. Consumers moved on.

The derision persists to this day about the pink stuff in general, even though there has been a revolution in rosé production in France in particular and a surge of consumer demand. The best wines of the Bandol in Provence, and the famous Domaine Ott, and Whispering Angel, or pink Sancerre from the Loire, now command higher prices.

But below them on the shelf are a range of smaller or cheaper producers that make excellent wine. Look for the palest pink and decent bottling. Avoid anything that looks too obviously sleazy as though it and its label have been thrown together by an opportunist aiming to appeal to the St Tropez super-rich brigade.

Undoubtedly, a lot of rosé is terrible, whether it be

from France, Italy, Spain or elsewhere. At its worst it can be too tannic and day-glo in colour. But a great deal of white and red wine is terrible and poorly made too. When it comes to white and red we do not condemn an entire of colour of wine just because good stuff taking some finding and consideration from the purchaser.

The central charge – that inherent lack of seriousness – comes down, I suspect, to rosé being made with obsolescence in mind. It is generally intended to be drunk at a year old. Hence the search about now for good, affordable stuff from the 2016 vintage. A few of those select and more expensive wines become more interesting when aged for a few years. But better as well as more interesting? No. This is a form and style that rests on freshness, sunshine and the taste of now. That is its joy.

This runs counter to the mystique of the wine industry, in which experts and buyers compete to age wine for as long as possible, looking for the moment of maximum advantage to drink or sell it on. Being lucky enough to taste these properly mature wines of the highest quality from time to time is a privilege, of course. But why take a one-dimensional view, as though there can only be one

(somewhat pompous) route to enjoyment?

The best rosé offers a different, uncomplicated type of pleasure as compared to the great wines. Whether you are eating in the shade, beside a pool abroad, with the sun at its highest point in the sky, or sitting in the garden at home

just as the heat goes out of a warm summer's day, a glass of perfectly chilled rosé is an unashamedly uplifting accompaniment to conversation with friends or quiet contemplation. After all, what's wrong with a spot of sunshine? Sometimes it produces the best memories. 🐕







## NEVER MIND WHAT OTHERS DO: CUT YOUR OWN TARIFFS

by Edgar Miller

Following Mrs May's famous dinner with Jean-Claude Juncker, EU politicians and officials have expressed astonishment that she doesn't grasp how unlikely it is that she will be able to do a trade deal with the EU – and the disaster this portends for the UK. The Prime Minister is right not to be too concerned.

Our detailed analysis at Economists for Free Trade shows not only that no trade deal is better than a bad deal,

but that it can actually be better than the deal the UK has at the moment.

To understand this, we first must deal with the myths surrounding what is misleadingly called the "WTO Option". It's a misleading term because every option for the UK in its new trading arrangement will be a WTO option. In practice, there is no other way the UK can leave, regardless of whether Britain has done a deal with the European Union.

**There are clear economic benefits to embracing free trade, irrespective of how negotiations with Brussels turn out.**

Once the UK leaves the Single Market, it will take up its full (founding) membership of the WTO and trade under its rules. Contrary to another myth, these only set the rules of engagement, but do not dictate tariff levels.

The UK would adopt the EU's Most-Favoured-Nation (MFN) tariff schedules as its WTO tariff schedule upon leaving because the UK has been a member of the EU Customs Union. If the UK has agreed a trade deal with the EU, its terms would govern the UK's trading relationship with Europe – but the MFN tariff schedule would govern the larger part of British trade with the rest of the world. If the UK has not agreed a deal, then MFN rules would apply to the EU as well.

Crucially, these schedules dictate only the maximum tariff levels the UK can impose. Importantly – and to bust another myth – the UK can elect to reduce those tariffs, possibly eliminating them altogether. There is no obligation to maintain them: the only obligation is to treat all countries the same (except for those countries with whom the UK has concluded a trade agreement).

So what happens if we remove tariffs against the EU and the rest of the world? In

summary, a standard world trade model shows that unilaterally removing tariffs creates a long-term GDP gain of four per cent, a fall of eight per cent in consumer prices, and an increase in Treasury revenue of more than seven per cent, compared to the status quo. Contrary to yet another myth, the UK would gain these benefits even if the EU and the rest of the world do not reciprocate.

About half of this gain comes from eliminating our tariffs on goods imported



from non-EU countries, abolishing the UK's relatively few non-trade-barriers, and eliminating the CAP and its associated levies. The other part of the gain comes from not raising tariffs on manufactured goods imported from the EU after leaving – even if Brussels decides to raise tariffs against us.

Clearly, this will be a better situation than we have today – a massive gain for the consumer.

However, problems arise if the UK engages in a tit-for-tat tariff policy against the EU in response to their levying import tariffs against it. If the UK retains goods and agricultural tariffs against the EU (and consequently against the rest of the world, as WTO rules would require), GDP drops four per cent from today's levels, virtually no decrease in consumer prices is obtained, and the Treasury loses about two per cent of its revenue. This represents a massive eight per cent negative swing in GDP, compared to removing all import tariffs. Furthermore, such a policy would disrupt manufacturing supply chains. This, in fact, was the very scenario the Treasury and others used in Project Fear to discredit the WTO option.

It will be up to Britain to decide what level of tariffs



**It will be up to Britain to decide what level of tariffs it sets against the EU and consequently the rest of the world. This single decision will decide whether we prosper.**

it sets against the EU and consequently the rest of the world. This single decision will decide whether the UK prospers in its new trading environment.

Some argue that unilateral free trade is complicated or even “politically impossible”. However, this argument should be seen for what it is: the modern resurrection of the age-old producer vs consumer conflict that Cobden and Bright so notably turned on its head when the Corn Laws were repealed. This set the British economy on a course of global trade expansion for the better part of a century.

Producers need not suffer in order that consumers benefit. Our research shows that manufacturing – aided by sterling's lower exchange rate (likely to last for several years) – can prosper without protection. Even without the benefit of a lower currency, a modicum of productivity improvement, coupled with new opportunities to re-source supply chains at better





value from both the UK and the rest of the world, will allow manufacturers to compete successfully.

Nevertheless, some politicians prefer an alternative approach – i.e., negotiating a series of free trade agreements with the rest of the world. Under this approach, the UK would not unilaterally eliminate import barriers but would attempt to achieve the same objective via such agreements.

While perfectly valid, this approach has some disadvantages: it will take time, may miss some important countries and risks stalling. Therefore, if

**The absence of a trade deal really can be better than the status quo – and certainly better than a bad trade deal.**

Britain decides to go down this road, it must spare no effort in preparing for signature as many free trade agreements as possible with major like-minded countries before the end of the two-year Article 50 negotiation period.

Thus, the lack of an EU trade agreement will not be calamitous, the WTO option is not to be dreaded, and there are clear economic benefits to embracing free trade,

irrespective of how negotiations with Brussels turn out.

The absence of a trade deal really can be better than the status quo – and certainly better than a bad trade deal. But perhaps Mrs May already recognises this. 🐾



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