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THE POLITICAL ECONOMY
OF
FREE TRADE

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FREE TRADE

BY

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"The New Tariffism," etc.

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PREFACE

THESE papers were written in the autumn of 1926, under the apprehension, then and now widely shared, that the policy of piecemeal tariffism which was set up by the Coalition Government of 1919 and developed by that now in power will ere long expand into a revived movement of general Protection. Reasons are given in the text for thinking that under certain commercial circumstances such a movement may carry the day against all argument, unless it be fought with much of the energy that was expended to carry Free Trade in the day of Peel, and to save it in the years 1903-13.

It is certain that a destructive movement would be strongly backed in the newspaper press; and it seems important that all citizens concerned for the preservation of Free Trade should as far as may be organize the defence in advance. The present writer is of opinion that to a large extent the occultation of the Liberal Party in the five years following the War was due to the tacit refusal of its members—not its leaders—to spend money freely on propaganda while its antagonists were spending heavily. And for ten years past the expenditure on Free Trade propaganda has been negligible.

Against a largely syndicated Conservative press, a sporadic propaganda of Free Trade is quite likely to fail. *The Times*, always ready to support Protectionism on any new pretext, has since the writing of these papers declaimed against the title "Free Trade" as a misnomer. It is true that the present fiscal system has heavily

encroached on the former measure of freedom, and that the exact scientific description of the former practice would be a "national fiscal system under which only duties for revenue, and none for Protection, are levied on imports." It would indeed mean a gain in many directions if all current labels were periodically revised, so that *The Times*, for instance, should be entitled the *Timeserver*. But in the workaday world we must be content with the available tools, and every adult citizen ought to know what the term Free Trade stands for.

The object of the present survey is to insist on the vital importance of economic science as a rectifier of the hand-to-mouth practice natural to combinations of men who, bent on their group or class interests, know nothing of political economy as a science of national economic well-being. And it has been taken for granted that historic surveys may help to open the eyes of some who would not otherwise be tractable to economic argument. But the issues have all been brought to economic tests.

The latest figures given are those available in 1926. They would have been brought up to date if the book had purported to be a statistical manual. But the argument would have been in no way affected; and the new figures of each year have always to be dealt with as they emerge. The author's hope is to indicate how they are to be studied. Fifteen years ago the electorate had been tolerably well educated on the problems involved. Today the case is otherwise, and the new electorate, male and female alike, is ill prepared for a great struggle.

To economists in particular the appeal is made to recognize that systematic expenditure on the promotion of tariff systems is an economic phenomenon, and that the fiscal practice of nations is not to be understood save in the light of such a recognition. The tariffist attack

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in this country as elsewhere has been in the past, and is likely to be again, well organized and well supported. The defence must also be organized if the Free Trade cause, and with it the commercial prosperity of Britain, is not to fall.

March, 1928.

CURRENT PROBLEMS IN FINANCE AND GOVERNMENT

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Author's Preface : ' The studies included in this volume have one feature in common — they deal with subjects which remain alive in public interest. . . . Some, by which I set little store, have been included because of repeated requests from correspondents ; to these I accede on condition that other studies, whose message I imagine an unobservant public still needs without knowing it,³ are also accepted by them.'

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