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THE POLITICAL ECONOMY  
OF  
FREE TRADE

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OF  
FREE TRADE

BY

Rt. Hon. J. M. ROBERTSON

Author of "Trade and Tariffs"; "The Economics of Progress";  
"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

Addresses and Papers.  
By Sir JOSIAH C. STAMP,  
G.B.E., D.Sc.

Demy 8vo. . 350 pp.

10s. 6d.

*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,<sup>3</sup> are also accepted by them.'

*Daily Telegraph* : ' The value of what Sir J. Stamp has to say lies not a little in the modesty with which it is said, in the complete absence of the pontifical method, and we feel that his statistics are produced after the most painstaking investigation, with a view to increasing our store of general knowledge and not in order to make them fit in with preconceived ideas.'



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## ECONOMICS: "OLD" AND "NEW"

IN recent discussion over the troubles of the Coal Strike, there has been much mention of a "New Economics" which is supposed to constitute a revision, if not a reconstruction, of what has hitherto passed for economic science. The claim comes, in this connection, from men who have not made any special study of Economics, but who profess to urge considerations which they regard as having been unduly ignored by the economists. A study of their arguments reveals, however, that they are but reviving a debate of fifty or sixty years ago, in which similar impulses, and partly similar circumstances, led to more vehement protests against the Political Economy than current.

The recent discussion, it must be said, does not indicate much knowledge of what preceded, and does not even suggest as much reflection on the problem as took place in the last century. What has been urged in the recent controversy is, broadly, that economic arguments as to the proper political control or decontrol of the Coal Trade are unsatisfying, or objectionable, in that they do not take account of what is called Christian sympathy. And the moment we realize that it is that sentiment that is being propounded as constituting or pointing to a New Economics, we perceive that in the new discussion, still more than in the old, we are listening to a mere confusion of terms.

Of the old dispute the most eloquent protagonist was Ruskin. His case was, in brief, that a so-called Political Economy which did not furnish full instruction as to how the life of the industrial mass could be bettered and

dignified was not truly a "Political" Economy at all, but merely a Mercantile Economy. A true Political Economy, he insisted, must be a guide to the management of the body politic as a whole, or in all its main aspects. The so-called Political Economy, then, was to be set aside as an imposture, and a "new" Political Economy developed.

The extent to which time and temper have been wasted in human affairs over the merest misunderstandings about words is one of the more depressing aspects of history; and this squabble of Ruskin's is not the least distressing instance. Professing, and to a certain extent practising, the study of the art of accurate observation and statement, he turned a question of nomenclature, which is substantially a matter of general convenience, into a question of social ideals, arguing as if the ideals were *constituted* by particular labels.

The title "Political Economy" is a natural and normal instance of the adaptation of current language to new uses. "Economy," "house law," "house government," is the Greek word for house management. It naturally tended to signify, primarily, matters of household expenditure and furnishing, incomings and outgoings, control of the household from the financial point of view, with, of course, an express regard to well-being and comfort. So applied by custom, it did *not* tend to apply to such matters as family prayers, moral instruction, or deliberation as to how the young people should marry. As used by Aristotle in regard to State policy, it dealt largely with matters of taxation and revenue.

When, then, men in modern times began to consider at once narrowly and broadly the question of government in the matter of control and taxation of industry and trade, they quite reasonably used the compound term Political Economy as describing the kind of study on which they were bent. They sought a conception and a system of right management of State affairs with regard to the industrial and commercial life, the incomings and outgoings of trade and manufactures. They rightly

wanted to confine their science, as they hoped to make it, within those lines, especially when, after Adam Smith had made his broad survey, they realized how complex the abstract economic problems were. They in general expressly excluded all question of the relation of the State to religion, to morals, to foreign policy as apart from trade matters. That is to say—with one or two exceptions—they excluded questions of religion and morals and foreign affairs, save in so far as State action in those matters might have a traceable effect on its pecuniary affairs or those of the people in general. Taxation they necessarily studied because it obviously had such effects. Police they did not discuss save in so far as it might have. As to questions of right and wrong they simply took for granted the ordinarily professed standards, which assumed that, within the limits of the law and of common honesty, men were entitled to seek their profit.

The science thus sought to be mapped out was, like every other, one of normal and intelligible recurrent sequences. What we term Natural Laws are without exception generalized accounts of such sequences: the phrase has really no other sound meaning. To be able to say that under certain conditions certain things have happened, and in terms of universal experience are to be held as sure or likely to happen again, is the sum and substance of all didactic as distinct from speculative science. It is true that the term "science" is frequently used to cover mental procedures which do not offer at first sight any knowledge of sequences; and that the term "law" is at times used to mean neither the human codes which we so name nor the ascertained or ascertainable sequences which are the subjects of the Natural Sciences. The phrase "moral science," for instance, is used to cover a manifold debate on the question not so much of what is the right course of conduct but of *why* we ought to *want* to do *what* we ought to do. Similarly, "moral law" is often used to set forth neither the actual sequences of conduct nor the actual antecedents of motive, but the conception that, it is held, we

ought to form of the "why" of right action. But even those protracted debates point in the direction of a collocation and generalization of knowledge, a desire to state sequences, and to repel what are thought to be erroneous views of sequences.

Political Economy, of course, incurred the difficulties experienced in the construction of every other science, and this in a higher rather than in a lower degree. All alike incur difficulties as to accurate observation and record of facts. Astronomy did so, partly for physical and partly for mental reasons; but when such mental hindrances as the assumption of arbitrary *volitional* control of the movements of sun and stars were got rid of, the purely physical difficulties of correct observation were gradually surmounted. With the advent of Copernicanism came a crisis: the conflict between an old theory of sequences which seemed to explain things and a new theory which pointed out hiatus and inconsistency and inadequacy in that explanation, and offered a new theory which *seemed* to clash with normal observation, and with what men reckoned common sense. It took fully two hundred years before even students in general accepted the new theory and rectified the perfectly natural error of ignorant common sense by recognizing that the earth revolves on its axis daily and moves round the sun annually.

It is important always to remember that the Copernican theory had actually been propounded in antiquity by a masterly astronomer, in the period of the Ptolemies, and had been presumably accepted then by other qualified experts, but had, for reasons which we may generalize as social and intellectual conditions, failed to be established as part of human knowledge in general. And so late as the seventeenth century Galileo was persecuted for propounding the Copernican theory in detail; while complacent ignorance jeered in general against all who agreed with him. It is needless to add even an outline of the history of such sciences as chemistry, geology, and biology. All alike illustrate the double

retardation set up by the primary difficulties of accurate observation and the mental obstacles created by pre-supposition and prejudice.

Political Economy, as aforesaid, incurred both. There was great preliminary difficulty in even collecting the relevant statistical facts. But in this case there operated in a special degree the hindrances set up by one of the strongest buttresses of all forms of misgovernment and all forms of error, the personal interests of powerful classes. An Irish philosopher of the early part of the eighteenth century, Francis Hutcheson, justly observed that "It is not delight in the misery of others, or malice, which occasions the horrid crimes which fill our histories; but generally an injudicious and unreasonable enthusiasm for some kinds of *limited virtue*." In matters of trade and industry, and of governmental control of them, all manner of harm and injustice arose, not merely out of blind greed, but out of an ostensibly quite virtuous conviction that certain courses were right, proper, just, and conducive to the general well-being.

The so-called robber barons who in the Middle Ages imposed tolls on all goods which passed through their territories were certainly not much given to ethical reflection, any more than the African chiefs who do the same thing in our own day; but even they could argue that they were entitled to raise revenue, and that they gave a *quid pro quo*. They actually did, as the negro chiefs do. They more or less protected from individual robbery the goods of travelling merchants. It was when they resisted the establishment of a larger and better polity that their self-interest made them a mere nuisance. But self-interest can inspire whole classes just as easily as it does individual rulers. When Kings, seeking either luxury or necessary revenue, imposed customs duties on goods going in and out of their countries, or luxury taxes on home consumption, they had the backing, as regards import duties, of all home traders who wanted higher prices for their own goods; and the Kings and the traders in question joined in declaring that they were

seeking the common good. That "British Goods are Best" passed for a high moral sentiment in the Middle Ages, when there was no Post Office, as easily and as widely, relatively to the circumstances, as it does in our own day, when it figures as an imbecile official proclamation stamped on all our letters.<sup>1</sup>

When, then, a kind of science of Political Economy began to take shape in the seventeenth and eighteenth centuries, its students lay under many hindrances. Many of them had acquired convictions which led them to regard as wholly patriotic and beneficent certain lines of government policy which were erroneous and injurious. To rectify those errors was really to evolve a "New Economics," because the rectification was in terms of economic thought, though it certainly had ethical bases and applications. But this came late. The misunderstood phenomena of the exchanges of gold and silver had created a confident belief that the wealth and well-being of nations turned on the relative abundance of their quantities of the precious metals; and a fiscal system directed to the end of increasing those quantities was just as generally and as naturally believed in as the apparent common-sense inference that the sun goes round the earth had been believed till Copernicanism had overthrown it for instructed men.

The early history of modern economic science largely consisted, therefore, in the exposure of the error of the bullionist theory and the errors of the procedures set up on that basis. The economics of trade in general were either directly or indirectly involved; and they were gradually made clear. Certain forms of sequence had been sufficiently realized in everyday life ever since barter began. The variations in price resulting from varying conditions such as those of willing or unwilling buyer, willing or unwilling seller, scarcity or glut of the commodity, were understood by everybody in business, and by most housewives. What "the Government ought to

<sup>1</sup> Since this was written, in 1926, the motto has disappeared from our letters. Why?

do" was another matter. That the Government ought to hang "forestallers" and "engrossers" of scarce food commodities was a view spontaneously reached by multitudes. The question of what might or would happen when they were hanged was left unprobed. That prices would "be reasonable" was taken for granted, with all the folly of intuition.

It was the business of the economist to think, where other people guessed, felt, cursed, schemed, and blundered. And the economists in their turn blundered. Adam Smith made scores of more or less serious mistakes. He assumed, for instance, that Rent entered into price. David Hume, a stronger thinker, at once saw that practically it did not. Smith, like many previous economists or would-be economists, thought it a good thing that the Government should make laws against high rates of interest, though Locke knew better. Bentham then pointed out, with clear logic, the fallacy of Smith's assumption and the miscarriages which would ensue on its application. That is the way in which all sciences advance. Always the movement is towards a more and more accurate notation and understanding of sequences under varying conditions. Locke had blundered in *his* time, in the course of an argument which was broadly sound. And Ricardo, later, erred in some of his formulas.

In the case of economics, about eighty years ago and later, there were two specific causes of trouble, one being the assumption of some economists that the science was completed, the other being the reaction with which Ruskin became specially associated, and which involved the demand that economics should become something else. As against the complacent view that the science was complete, there was brought to bear a battery of criticism, going to show on the one hand that certain accepted doctrines and definitions were erroneous, and on the other that there were rather wide divergences among the leading exponents. The latter fact alone settled the point. Of course the science was not complete. No



science ever is. A completed science is a chimera. The very proposition alleges an impossibility of new knowledge, which to-day no instructed man will state. But those who on that ground proceeded to deny that there existed any economic science were just as foolish as those who said it could not be added to. To say of any science so called that it includes some error, and that there is divergence of view among its exponents, is only to state the inevitable experience of all science. Every science is in a more or less rapid state of readjustment and expansion if it is being actively studied at all. Political Economy exhibited what we may term the law of all scientific knowledge, progressive modification and readjustment.

More serious, in some regards, was the fallacy of the demand that political economy should take on entirely new functions, and prescribe courses of governmental and individual action in terms of moral and æsthetic ideals which were themselves open to much dispute. That was the demand of Ruskin. The sufficient answer to his argument, as distinguished from his vituperation, was that it was no more the business of economics to prescribe social and æsthetic ideals than it is the business of biology or therapeutics to do so. If we simply use the term Economics instead of the earlier term Political Economy, we see at once that Ruskin was entangled in a verbal fallacy. Had the experts adopted the term that one of them once proposed, "Catallactics," meaning "the science of exchanges," or that proposed by the late Wordsworth Donisthorpe, "Plutology," the dispute could not have arisen, save on a new verbal debate about the right meaning of wealth. All that Ruskin could show was that Political Economy is not the whole of politics or political science. Of course it is not. It was never meant or sought to be made so. And to try to expand it so as to include a whole Science of Society would inevitably end in giving us much bad economics and worse politics.

Where some economists had erred, in connection with

politics, was in professing to lay down laws of action which were not really inductions from economic knowledge, and which vetoed political motives over which economics had no proper jurisdiction. An uncritical conception of economic law was set up even in the eighteenth century, when we find the elder Mirabeau and Quesnay setting forth a *General and Political Economy of Agriculture, reduced to the unchangeable order of Physical and Moral Laws, which assure the prosperity of Empires*.<sup>1</sup> English economists of that age did not follow suit; but in the nineteenth some approximated to the position. Long before, economists and everybody else, practically speaking, had agreed that freedom of human action was fitly to be curtailed in the matter of slavery. Other principles there came into play. Economics could tell, and some economists usefully showed, that slave labour is normally inferior and wasteful labour. But the right decision, come to by the politicians, was that whether or not slave labour was useful, it ought to be vetoed because of the moral, social, and political evils that were found to be inseparable from it. The position was: We recognize trade in goods; we refuse to tolerate trade in human life.

Later arose, for this country, a variant of the same problem, in respect of child labour. Some economists, it would seem, held that the exploitation of child labour was vindicated by "economic law" so called. This was not, as some Socialists have unscrupulously alleged, the attitude of Cobden: but it seems to have been taken up by some others. The position was absurd. Economic law is just the generalized statement of economic sequences under given conditions; and a statement of commercial sequences is no more a vindication of uncontrolled child labour than it is of slavery. When, then, humane men, or men using the pretext of humanity in order to retaliate on manufacturers for the abolition of the Corn Laws, insisted that there should be Factory Laws to prevent the harmful exploitation of the labour of children and

<sup>1</sup> 3 vols., 1764.

women, economics had really nothing to say in the matter. The Free traders, as represented by Cobden, never denied this. The economist could but say, If this is done, certain economic results will tend to follow. These results being faced and accepted, the business of economics went on as before.

It is likely enough that at that time some well-meaning people said that there had arisen a New Economics. But no such thing had taken place. A New Economics *did* arise when Hume and Smith overthrew by argument the Mercantilist or Bullionist theory. It does not arise when a political principle, as such, is newly applied. A new law, well founded on motives of public well-being, had made a new modification in industrial conditions. Economic science at once noted the sequences of the new conditions, and saw no reason of public interest for recommending any repeal of the Factory Laws. But when we say this we imply that in other conjunctures Economic Science, that is, Political Economy, *may* find and show good reason for removing given restraints on trade, which, as a matter of fact, had been imposed in terms of a false ethic and economics. It had actually done so in the case of the Corn Laws and of import duties and subsidies and export duties in the mass. In those cases the public benefit was enormous, while the drawbacks were in comparison negligible. And this kind of service economics is always capable of rendering, thus justifying the old title of Political Economy, which I have specially used in the present series of studies. For in economic study there is always a political end in view—the comprehension of economic sequences as affecting the national life in general. It is only in terms of such comprehension that any political interference with trade or industry can reasonably be advocated as expedient, or resisted as inexpedient.

The blunder of Ruskin lay in demanding that to the study of economic sequences the political economist *as such* should add a recognition of the æsthetic and other drawbacks associated with the life of the industrial State,

and should proceed to prescribe lines of action which, among other things, would develop artistic handicraft on the lines of the Middle Ages. Any other idealist would have been equally entitled to demand that the economist should set himself as such to the advocacy of Liquor Prohibition, an ideal which would have involved, among other things, the abolition of the business of Ruskin's father, the dealing in wine, upon which Ruskin looked back with perfect satisfaction.

The plain fact is that the total task of social betterment is an endless and immensely complicated one, proper to the whole community as consisting of political units, and quite incapable of being well conducted without a vigilant study of sequences, of which the economic sequences are among the most immediately momentous. The economists, as it happened, had before Ruskin's time been nearly unanimous in pointing out the momentous economic sequences of an uncontrolled birth-rate. Rightly they abstained, as economists, from prescribing any line of State action on the subject, save in so far as some of them may have recommended schemes of emigration. Some of Ruskin's economic analyses were sound; though I doubt whether there was anything in them that Ricardo did not take for granted. But on this vital matter of the birth-rate he never took up any definite attitude, save in so far as he scurrilously aspersed Mill, as he had aspersed Smith. In point of fact Mill, so far from excluding moral ideals from political economy, at times injured his economics by imposing on it an ill-considered ethical doctrine. He was certainly as much concerned as Ruskin ever was for human betterment; and Ruskin's vilification of him is itself an evil exhibition. The object-lesson which Ruskin thus gave of the futility of intuitionism and emotionalism as a basis for social science is the more impressive when we note that he himself, in his specially self-assigned task of establishing science in *Æsthetics*, could never disentangle himself from an absolute primary self-contradiction in regard to the factors of imitation and creation in Art.

We are now prepared to deal with the confusion set up in our present controversies by the claim to set up a New Economics in connection with Coal Strikes. The idea is simply that in a question of State action which turns upon economic sequences there should be laid down a principle of compassionate public action in disregard of the mere commercial inferences drawn from the economic facts. And once more we have to say that this is not a New Economics at all. It may or may not be a New Politics: I should say it is not even that; but it is no more an introduction of a new "economic principle" than was the introduction of the Income Tax. In so far as it is, or tends to become, a proposal that the nation should be taxed to maintain in comfort a given number of coal-miners whose output does not yield an economic profit, it is the business of economists to point out that such a policy, systematically applied, can result only in general economic collapse.

There can be no sound "principle" of any kind, religious or other, in undertaking to maintain one large unprofitable industry at the expense of all the rest. In other industries than coal-mining there is unemployment, and in some the wages are lower than in mining. If the sole reason for proposing the special course in regard to mines is that the stoppage of coal output involves hardship to the rest of the population in general, let that be honestly said. If the motive be the desire of ministers of religion to keep in friendly touch with a particular population massed in certain districts, let *that* in turn be candidly avowed. But we are entitled to ask to be spared the intellectual confusion of having such motives described as a New Economics. The business of Economics, which is neither new nor old, but perpetual, is just to note the economic sequences, among others the importation of coal from abroad to supply the needs of Britain, which normally is a coal exporter.

But there is yet another challenge to be examined. Apart from all really or ostensibly humanitarian criticism of Political Economy as inadequate to its task, there has

been in recent years a use of the same phrase, New Economics, by professed students of the science. Let us take, for instance, the work of Mr. Lionel D. Edie, "Associate Professor of the History and Politics Division of Current Industrial Problems" in Colgate University, published in 1922. Here is a promise of a professional reconstruction of economic science. I regret to say that the title of the book is a misnomer, and that its promise is unfulfilled. Professor Edie himself writes in his preface:

"It should not be assumed that a recognition of recent advances in economic theory implies a repudiation of old economic theory. *The old economic theory, it is true, is charged with many fallacies, but at heart its principles were enduring.* Probably the chief cause of uneasiness in fields of economic thought has been the feeling that former economic theory was inadequate. Many of its doctrines are essential, *but are too limited to account fully for economic life.* Hence the present integration of recent tendencies in economic thinking has an ungrudging toleration for a large part of previous economic thinking."

That, certainly, is "rather decent of him"; but what then are the New Economics, or the new "tendencies in economic thinking" which are "integrated" in the book? I have been unable to discover in it any account of "recent advances in economic theory" at all. What it gives is a skimming of not very recent psychology in general, and of recent social speculation and plans of improved industrial management in general. The phrase about "*the old economic theory,*" as if there were only one, is merely confusing, as is the statement that *it* was "charged with many fallacies." The meaning seems to be that fallacies were charged upon a number of economic theories in the past, which was perfectly true. The same thing has happened in geology and biology. But we are not even told by Professor Edie of any recent exposure of old economic fallacies not exposed before the end of the past century.

Nor does he seem to be personally likely to expose any by force of more accurate analysis. His opening paragraph of definition seems to me to be more open to

destructive criticism than almost any of the definitions of the last century. "Economics," he begins, "is the science of human nature in its relations to the ordinary business of life." It is really not all that, or anything near it. The study of the relations of the human nature of a doctor or a lawyer or a cook in regard to the ordinary business of life is not economics. When the Professor further declares that economics involves the analysis of—

- I. The motives and satisfactions of men in their dealings with wealth;
- II. The processes and *organization* by which wealth is controlled; and
- III. The forces and directions of improvement and change,

he is indicating rather social than economic inquiry; and when he adds that "This economics has a human factor, an organization factor, and a progress factor," he is simply bewildering. As if all three were not alike "human"! And the phrase about "accounting fully for economic life" is just another idle redundance. There has never been any difficulty in "accounting for economic life." It is carried on for purposes of self-support, for wealth, and for adventure.

Professor Edie sets out with two chapters on "The Significance of Psychology in Economics" and "Economic Expression of Instincts." It would be broadly true to say that these merely parade elementary facts of human nature which the economists of the eighteenth and nineteenth centuries took for granted; and that this is done with no gain to economic comprehension. What is the value, for instance, of such propositions as these :

"Sherrington remarks of emotion, 'If developed in intensity, it impels toward vigorous movement'; and Cannon writes, 'That the major emotions have an energizing effect has been commonly recognized'"—?

Did it need a Professor either of New Psychology or New Economics to tell us these elementary truths? The Professor himself, after laying them down, is fain to confess: "Considered in those ways, economic psychology

is not one of the exact sciences." I would add that it does not even emerge as a science at all.

Nay, the very psychology which Professor Edie parades is already under expert condemnation as obsolete. He enumerates nine "instincts" as operating in the economic life: Self-assertion, possession or acquisition, parental instinct, sex instinct, herd instinct, submission, pugnacity, curiosity, fear. Already there is a growing consensus of protest in America against such verbalist multiplication of "instincts"; some experts contending that the term can properly be applied only to three or four proclivities at most. Obviously we could swell Professor Edie's list indefinitely, on his own lines, by adding: Patriotism, ostentation, alcoholism, dislike of self-assertion, boredom, anti-herd instinct, dislike of parenthood, hope, love of the simple life, love of peace and quietness, and so on. It is all to no economic purpose. We are not only not getting a New Economics: we are not even getting a New Psychology, but an old one.

I can understand the composition of Professor Edie's book only in the light of an account given to me by an American professor, nearly thirty years ago, of the results of the establishment of so many Chairs of Sociology in American universities. The Professor of Sociology, he explained, was barred from discussing Law, History, Ethics, Economics, Biology, or Ethnology, because those were already the businesses of separate Chairs. The sociologist accordingly had to handle his theme apart from history, law, ethnology, biology, ethics and economics; and the result was that he had to expatiate on what were called "Social Science Questions," which were summed up as "Drink, Drainage, and Divorce." The picture, I suspect, was over-coloured; but it was suggestive. Professor Edie's professional field is the "History and Politics *Division of Current Industrial Problems.*" Apparently he must not act as a Professor of Political Economy; and we accordingly get a series of more or less appealing discourses on human nature



and industrial life and immigration and what Socialists propose and what the State may do.

If it were not that we know America has some first-rate economists who do competently handle economic problems, as her best sociologists do sociology properly so called, one would be disposed to draw depressing inferences. On such an important question as that of the effects of immigration and of its drastic limitation, Professor Edie indicates without criticism current doctrines which commit the flagrant economic fallacy of assuming that had immigration not taken place in the recent past there would have been the same amount of wealth to distribute among native labourers.

These phenomena, I suggest, are warnings. Assuredly there are always new economic problems arising, as well as political problems on which economic light is urgently necessary. The post-war problems of currency, housing, expenditure, doles, and national strikes, are among the most prominent. To these and all other problems must be brought fresh thinking. Never can we, in economics any more than in any other science, rest upon past doctrine and quote it as so much authoritative dogma. Every economist in turn has been subjected to more or less destructive criticism at certain points; and every generalization must be reconsidered, just as happens daily in physics, biology, medicine. We all know how Mill's doctrine of the Wage Fund, founded on Adam Smith's opening paragraph, was abandoned by Mill himself. I have myself urged, further, that the Smith-Mill doctrine of parsimony, which was the basis of the Wage Fund theory, is an economic fallacy. And there is no end to new analysis.

New commercial developments call for the tracing of new sequences. In the United States, for instance, the wide development of the hire-purchase system, or payment for goods by instalments, has set up a number of perceptible financial reactions, well worth tracing. And, though there is small profit from an accumulation of psychological platitudes, or the analysis of human nature

into twenty or more alleged instincts, it is certainly fitting to take note, in connection with our economic thinking, of such facts as the repellent monotony of many forms of labour, so much dwelt on in recent years by English and American observers, and, as it happens, noted by economic thinkers in the eighteenth century.

Is there, indeed, any need to press the proposition that all forms of knowledge are or may be helpful to the economist in the handling of his problems? So much was said by McCulloch nearly a hundred years ago. The modern founders of the science were men mostly of wide interests and good mental discipline. Smith, Hume, the two Mills, Turgot, Say, McCulloch, were so describable. Ricardo, with little scholarly training, sought all the culture he could get; though his great qualification was an abnormal gift for economic analysis and synthesis. Professors Sidgwick, Marshall, and Shield Nicholson were men of large outlook and sympathies. But always we come back to the purpose and the objective of economics as a science. It is not commensurate with politics, or with history, though it constantly seeks light from history and lends light to politics, and lives, as it were, in the light of both. Without knowledge of history it would be wholly speculative; without outlook on politics it would be dilettantist.

But it has its own lore, its own discipline; and the acquisition of some modicum of that, by the study of some of the leading economists of the past, is to be recommended to anyone who cares to sharpen his faculties for economic discussion. The very notation of old fallacies is something of a safeguard against new. And the recollection, in particular, of the cases in which a few economists affirmed "economic law" as something which in itself vetoed a political proposal that claimed to override economic considerations, may serve us as warning against saying that economics in itself vetoes any Socialistic theory as such. If a State scheme of production or distribution is found to work at a fair profit, any further argument against it is non-economic, and should

not be classed as economic. If, again, politicians propose to "put people on the land" at the cost of the taxpayer, that is, on avowedly non-economic grounds, on the plea that such action is a good moral investment, the criticism of the proposal lies with the politician as such, not with the economist as such.

Needless to say, it is fitting that economists should also, as citizens, be politicians; and it is devoutly to be wished that all politicians should be in some degree economists. The fact is that economic scrutiny may cast light on many paths of inquiry to which it is rarely applied. There is, as I shall strive to show later, an economic sub-element in the attitude taken by politicians and journalists on public problems. It might even be said that there is an economic traffic in souls. To take a simpler case, all literature may be not unprofitably considered under the aspect of goods for sale; and personal guidance, of an economic kind, may be found in a study of the saleability of books. If, for instance, you can write novels like Miss Dell's, you may make a fortune; if you write books like mine, you won't. But the economist who should pretend to deduce from the economics of the book trade any "law" as to what *should* be written or not written would be playing the fool.

His value, his authority, arises in respect of the proofs he can give of the good or evil economic consequences of any given political course affecting trade and industry. And such giving of proof is a matter of carefully noting all the obtainable relevant facts and no less carefully reasoning from them. In economics as in other sciences there has been debate over the relative fitness of processes of induction and deduction. They are obviously interdependent; for even if you put an issue in the form: "What is likely to happen?" or, "What is a man likely to do?" in given circumstances, you give your answer, as a rule, in terms of experience. Thus the apparent predominance of deduction over induction in the writings of Ricardo is a result of the fact that he had a wide knowledge of economic facts and had drawn many

inductions from them; and that what he sought to do—reluctantly, as it happened, under pressure from his friend James Mill—was to give his results in a deductive form: "Men in trade do so and so: in a given case they will do so and so." Some critics have objected that this man substitutes argument for evidence; but Ricardo knew the evidence better than most, and sought by his reasoning to enable others to interpret the facts, past, present, and to come.

And, be it remembered, nobody pays less heed to evidence than the advocate of any measure or system of protective tariffs. Always he *assumes* his sequences. He will, doubtless, point to any trade difficulties, any depression or unemployment that he observes in a Free Trade country, and draw the inexpensive inference: these are *results* of the lack of a protective tariff. Similarly, in an already tariffed country, unemployment and depression are pointed to as proving that the tariff is not high enough. Here we have barely the semblance of scientific reasoning. An intelligent and scrupulous inquirer (the qualifications are not always combined) will at once see that in order to weigh aright such propositions there is needed a careful survey and comparison of periods, and a notation of all the main differentiating circumstances. What we have to do, to reach a justifiable opinion, is to study the phenomena of protective and free-trade policies historically, carrying our inquiries down to the present moment.

Our task is, in brief, to study the economic sequences of the two contrary policies of (*a*) levying duties on imported goods in order to check their competition with home products, and (*b*) levying no import duties save for purposes of revenue—the policy which we call by the everyday name of Free Trade, since it is the negation of the other policy of trade restraint, which we call Protection.

Hence it is that I have given a specifically historical form to the present course of studies. The bulk of protectionist opinion is visibly formed on the appeal of

the moment, and on an assumption that certain sequences *will* take place. The complete corrective is to show, not merely that the promised sequences either cannot take place or will involve others of a disastrous kind, but that historic experience broadly disproves the assumption of favourable results. A few years ago, certain Liberals, conscious of a high progressiveness, confidently declared that Free Trade questions had come to stand on a new footing and called for a new treatment. When, accordingly, I pointed out in an address to a "Summer School" meeting of young Liberals that it is only the details of the immediate problem that have altered, that the method of examination remains the same, that the method and principles of protectionist propaganda remain the same, that Free Trade logic remains the same, and that the experience of the past remains absolutely relevant—when, I say, I incidentally pointed these things out, the resourceful person who edited the discourses delivered to the meeting disposed of my argument by leaving it out of the report.

Those who do me the honour to follow these papers will, I trust, realize that the past—though, of course, more especially the modern past, which is best known—is an indispensable light to the study of the problems of the present. If only people will remember that the present is literally only one ever-passing moment, and that all we know about anything is got from the past, whether near or remote, they will be incapable of the absurdity of imagining a clean slate for any recurring political problem. New proposals, constituting formally new problems, are the very occasion of the discussion. It is to the facing of them that the whole discussion is directed. But let us not fall into the sciolism of supposing that new talk constitutes a New Economics. If only we can handle our new issues with the same force of logic as was brought to bear on those of his time by Richard Cobden, we shall really be doing very well. And if anyone can handle the general economic problem of import duties *versus* free imports with not only a

knowledge of economic literature but as high an analytic and synthetic *power* as was brought to bear by the stock-broker Ricardo in his day on the economic problems of Rent, Value, Taxation, Wages, Profits, and Currency, we shall be entitled to acclaim, not a New Economics, but at least a New Economist.

In point of fact the official economics of the past has at times been seriously deflected or arrested much more by the disposition to impose ethical considerations than by any tendency to ignore them. Mill repeatedly miscarried in terms of this tendency. So far from being non-ethical, he let his ethics again and again prime his economics, as in his doctrine that land, not being "created" by man, *ought* not to be private property. The result has been a political doctrine of unearned increment which ignores the fact that such increment occurs in many ways apart from land—as, in stocks and shares, in pictures and in antiques of all kinds, to say nothing of human faculty and the prestige of the expert. The only way out of the confusion is to revert to the tests of economic analysis and political expediency; which actually yield us a sounder ethic than the *a priori* one of Mill's formula.

Progressive politics, indeed, is always making new applications of general ethical principles. It has notably done so in the modern developments of taxation, and in the development of education, of provision of public parks, of municipal tramways and many other things. In such matters the function of the economist is clear. It is for him to trace the economic consequences of changes in taxation, and even those of advance in education, as when State Schools multiplied the clerk class. But it was equally his business to note the economic gain from education; and as regards what we may term humanitarian procedure, the great outstanding function of the economist is to call attention to the reactions on the birth-rate and the state of things that will tend to arise if population increases without increase in the field of profitable employment. And even there it is rather

for the social and political reformer than for the economist as such to point to the moral and social considerations involved, the overcrowding of the home, the enlarging of the school classes, the down-grading of life conditions in the large family, the worsenment of life for the mother in particular and of the growing girl-children who have to bear part of the burden of mothering the younger. These considerations, as it happens, are rarely so much as faced by the people who talk of moralizing economics.

The fact is that the pursuit of economic science has invariably furthered the development of the political conscience by the sheer exposure of the inequities involved in economically bad legislation. Such was the effect of exposing the economic sequences of all forms of protectionism. The comment of the reader was not merely "How stupid!" but also "How unjust!" The research of Ricardo and his school furthered and vindicated a juster system of taxation; and it is the fact that the most equitable system of taxation attained in the modern world has been developed in Britain in the Free Trade period. The men who developed the system of Death Duties and Super-Tax were Freetraders. And whether or not the present-day advocates of Protection claim to be expounding a New Economics, they are assuredly not bringing into their propaganda a new sense of equity or of moral obligation.

One thing more. Before and after the close of the War, it was a common assumption in our politics that Germany should be made to "pay" to the uttermost for the evil she had done, and the evil she had brought on the world. That it should be done in a way that would inflict protracted suffering on the women and children of Germany was, I found, not commonly reckoned a repulsive idea at the time of the 1918 General Election, even among the newly enfranchised women voters. And, apart from that aspect of the matter, it was not surprising that the electorate should hold it fit that the nation which was so much responsible for suffering should

collectively undergo penalty. *Ethics*, so far as I remember, had little to say on the subject.

Yet I undertook to show to Liberals, nine years ago, when the War was still in course, that simple economic science demonstrated the futility of the course of economic revenge; that the game was not merely not worth the candle but was sure to inflict loss on ourselves. And on that argument I relied, more than anyone then could for purposes of persuasion reasonably rely on any appeal to good feeling. Just when ethics might be expected to speak, whether or not in the name of religion, it was practically dumb, save for some propaganda which suggested negative rather than positive moral motivation. And the fact is that much of our subsequent economic and financial distress has resulted from the total lack of economic science on the side of our post-war Government, which, I need hardly add, resorted as little to ethical science. The notion of making Germany pay the whole war debts of the Allies was a masterpiece of economic ignorance and folly.

Hardly was the plan on foot, in its modified form, when the men who had imposed it were protesting that German goods must *not* be allowed to come in to cause unemployment here. Yet goods were the only way in which Germany could possibly pay any large indemnity exacted from her; and nobody could pretend that she could do it all in the form of raw material which would not compete in the market with raw material produced at home or in the Empire. A senseless contradiction had been propounded; and both terms of the contradiction were maintained with equal emphasis. Never in the course of the ten years' battle with Tariffism had one experienced such a crushing sense of the folly of men in mass, and of a whole troop of the politicians who professed to lead them.

It needed no New Economics to expose, for those who could and would think, the folly of it all. Plain economic reason sufficed. And economic reason, disregarded, dictated to statesmen a course incomparably more moral,



as it was incomparably more rational, than that actually followed, with no sort of protest from the social and ecclesiastical authorities who have been talking of a New Economics in regard to the Coal Strike. For the blind folly of that time we have paid, and shall go on paying, until economic science shall guide political action as physical science guides physical action. To that end, the most immediately urgent course is the effective restatement of the historic and economic case for Free Trade; and while every step in the procedure is a light on the unethical proclivities of men and a guidance to a more ethical course, it is as a process of intellectual enlightenment that it is to be conducted. To the serious student, the perpetual monition must be: With all thy getting, get understanding. It is still the least common of all forms of acquisitiveness.

## II

### THE INSTINCTIVE PRACTICE OF PROTECTION

THE manifesto of bankers and traders which has lately been given to the world<sup>1</sup> might alone serve to prove and illustrate the proposition of the above title. It presents post-war Europe as a multitude of States, new and old, of which the first thought was, in setting up administration anew, to do their best to hinder and embarrass each other's trade. "Too many States," as the manifesto truly affirms, "in pursuit of false ideals of national interest, have imperilled their own welfare and lost sight of the common interests of the world, by basing their commercial relations on the economic folly which treats all trading as a form of war." Many centuries of trade history are summed up in that sentence.

Perhaps, on the other hand, the use of the term "ideals," to describe a spontaneous play of greed and jealousy and ill-will, may seem in itself unduly "idealistic." But it may be worth while to make our survey on that cue.

It is important in our day, when we have seen a new propaganda of Tariffism started for ulterior reasons of party politics, by men who must have known that at least some of their statements were false, to remember that the various forms of Protection in the historic past were set up in a more or less widespread belief that they promoted the public good. In classic antiquity, indeed, we find no trace of what we call protectionism, for the reason that both in Greece and Rome the fundamentally military and aristocratic and slave-owning public polity did not regard either manufacturing industry or commerce

<sup>1</sup> In October, 1926.

as an interest to be encouraged. Of course they saw to food supply, and charged small port dues; but they did not legislate for trade. Several Greek States, including Sparta, forbade their free citizens to engage in manufactures or trade; and Aristotle in his *Politics*<sup>1</sup> explains that artisans and traders are not to be accorded citizenship, since their life is "ignoble and inimical to virtue."<sup>2</sup> In a polity in which slave-owning was normal for men of citizen-status, that was the natural view of the caste.

Similarly in Rome, Cicero, speaking in the atmosphere of a slave-owning Senate, declares that all commerce is in its nature despicable; and only passable when carried on on a large scale—that is, by rich men. The slave-owning senators had no scruple about selling their corn and cattle and other produce: their head slaves probably did it for them; but to make or sell furniture or implements or foreign imports was in itself work for slaves or unenfranchised foreigners. So there was never any Greek or Roman question of protecting home labour; though at Rome an embargo on the export of the precious metals was frequent in the interest of the State.

It is only in the modern world, after the passing of the substitutes for the Roman Imperium, when free men are gathered in towns with a beginning of self-rule under oligarchies or lords or kings, that trade interests as such begin politically to assert themselves. And when we say that the policies of such communities are set up professedly in "the public interest," we are always to remember that conflicting interests were all so named. Of public interest properly so called, save in a military sense, there was small conception. Workers and traders were alike organized in guilds and corporations; and they

<sup>1</sup> VII, § 9, 3, ed. Jowett.

<sup>2</sup> It is interesting to note that many of the statesmen of the American colonies at the date of the Revolution, themselves presumably nourished on classic tradition, and owning slaves, took the classic view, and "regarded the possibility of manufacturing on a large scale as evidence of a degradation of science and of labour. . . . Tillage of the soil was deemed more honourable and more conducive to the prevalence of social virtues than manufacturing." E. Stanwood, *American Tariff Controversies in the Nineteenth Century*, 1904, i. 18.

perpetually fought each other, each gild for its own hand. In Flanders, early in the fourteenth century, we find weavers and wool-dealers taking arms against each other and setting up chronic civil war, with much bloodshed. One riot, in which all the magistrates of Ypres were killed, began in a demand by a workmen's gild for the suppression of rival industries in neighbouring villages. Everywhere there were such conflicts of interest, and the economic policy at any moment simply stood for the strongest interest.

The one thing on which all were at one was that there should be as little freedom as possible for other people. Every organization strove for monopoly or privilege. Workmen's gilds as far as possible closed their ranks. Traders' gilds held privileges or charters by which they excluded new-comers. In the Italian cities, as in Flanders, craft-gilds fought merchant-gilds; and merchant-gilds fought each other. In the free towns of Germany and the Netherlands, we find the handicraftsmen fighting first for the right to have their gilds, and then for a controlling share in the town government. But each craft-gild had a jealous eye on the others, all fighting for their monopoly. The butcher must not deal in hides, or the skin-seller kill beasts, or the tanner do either, or do shoemaking, or the shoemakers do cobbling. Within the community, every organizable specialty of interest fought for "protection" against every sign of competition; and every craft sought to prevent its apprentices from setting up for themselves.

In such an atmosphere, where anything like individual freedom of trade was regarded from some angle as an evil, it was impossible that States or Kings should do anything but exploit the competing interests to their own apparent financial advantage. In England, as early as the beginning of the thirteenth century, we find the merchants bribing King John to revoke the charter of the London weavers, and the weavers, by giving a higher bribe, buying it back again. The transaction might help to explain the traditional unpopularity of King John;

but he was only playing a game that had been already played by municipalities. The Kings of that epoch were practically bound to chaffer not only between the opposing interests of merchants and craftsmen, and merchants and producers, but between those of merchants and consumers on the one hand and producers and craftsmen on the other.

In Magna Carta we see traces of the imbroglio already set up. As regards the conflicting views that Magna Carta was won by the barons, and that it was won by the barons and the cities jointly, we have to note that it includes a provision that foreign merchants shall have safe conduct to come into England and to leave it, and to buy and sell without the obstruction of evil tolls. That clause must have been inserted in the interests of the barons, as against the native traders; for it was the landowning class that then specially wanted free imports of foreign goods. And it would be in their interest that the privilege to foreign merchants was repeatedly re-enacted under Henry III and Edward I and Edward III; though the very fact of the re-enactments proves that the native traders had been doing their best to make it ineffective. The privilege was frequently petitioned against; and the Acts of the Edwards avow that they are framed in the interests of the baronage and "the people" as against the traders at home. Perhaps the barons gained their point at first because they were here checking the King as well as the city-men; for the Angevin Kings had previously *sold* to foreign traders the privilege of trading in England; and the Charter ostensibly vetoes such charges.

Of course the nobility were simply seeking their own interests, like every other class. In Italy we find the peasantry allowed to sell their wine in town only by wholesale; and in Florence the privilege of retailing it is found to be restricted to the "nobility and gentry" as late as the seventeenth century. The Kings, for their part, necessarily had regard to their revenue; and that was the determinant of their policy in the three-cornered

contest over the duties on wool. This, as the first important article of English export, brings all the forces into action.

To begin with, freedom of export to the Continent, where Flanders was a ready buyer, meant good markets for the wool-grower, that is, the landowning class in general; though in the normal course of trade the producer would sell in bulk to the large foreign buyer at a lower price than to the small buyer at home. Thus the struggling home manufacturer was disadvantaged; and the King was adjured to put a check on export. If, however, he should do that, he would in turn inflict heavy loss on the wool-grower, who in a year of good yield would get extremely low prices, the home demand being quite inadequate. If, further, the veto on export should continue, the wool-grower would infallibly breed fewer sheep; in which case the price would become higher than ever for the home buyer, and the supply of food also would be curtailed. Naturally the King chose the course of putting an export duty on the wool, securing a revenue for himself, and leaving the producer and the home buyer to wrangle it out.

But now arose further sequences. The Flemish buyer of English wool wove it, and sent his woollen goods to England to be sold, to the apparent detriment of the home weaver, who, himself often a Fleming, bitterly complained to the King that home industry was thus being ruined. More disinterested men pointed out to the King that whereas Flanders had a large industrial population England had not, which, in an age of perpetual war, spelt weakness from the military point of view. Therefore it was politically expedient to discourage, by high customs-duties, the importation of the cloth woven out of English wool in Flanders. For a long time, however, that course was little favoured, for the reason that the first English weaving-gilds were composed of Flemings and other foreigners who had come from the Continent, and were so commonly in unfriendly relations with the English town-populations

that, under the King's protection, they at one time removed to Pembrokeshire. Only when the foreigners had come to be recognized as fully naturalized Englishmen would the protection of their industry be in general an effective cry; though when Edward III in 1337 invited new Flemish immigrant wool-workers the old attitude would recur.

War, again, set up further complications. Several times under the Plantagenets we find the export of wool and the import of woollen goods prohibited by reason of quarrels with Flanders; with the necessary result of heavy loss to the wool-growers; though in 1284 we find many English monasteries, which were the chief wool-growers, arranging to sell their wool in the rival market of Florence. When, again, heavy duties were levied on Flemish woollens, the Flemish authorities naturally retaliated alike on the wool and the woollens of England, and did their best to encourage new wool supplies.

Attempts to prohibit the exportation of wool were made by the barons in their wars with Henry III, when the prohibitions by the Parliaments of 1258 and 1261 were presumably made by way of restricting the royal revenue and satisfying the home traders who sided with the barons. As this was a time of clamour against foreigners, the encouragement of home manufactures would be popular. Yet in the year 1258 there was a frightful famine, in which thousands are said to have died of hunger; and wool export would be the only means of buying the necessary corn from the Continent. Naturally the Edwards returned to the policy of imposts on exported wool; though it seems to have been under the Tudors that prohibition of wool exports and cloth imports became a continuous policy, made possible by the advance of population, the extension of the home market, and the improvement of all cloth manufactures through the advent of Flemish and other refugees. Of course the new policy involved more interference with freedom than ever, though less insecurity to the merchant class.

In the period in which the English Kings maintained

the export duties on wool to their own profit, they greatly facilitated their collection of the duty by creating a "staple" through which all exported wool must pass. The word had primarily meant a principal article of export trade; then it came to mean the appointed place where the article had to be assembled for the levying of the duty. Originally the wool went in free course to Flemish and other foreign ports, at the convenience of the buyer. The staple system compelled its passage either from one English port or to one continental port—as, Antwerp or Calais; the King in these cases apparently securing a payment from the favoured town for the general trade advantage it received, though the staple was devised for his own convenience.

It is difficult to realize the perpetual and omnipresent interference thus kept up, between gild-restrictions and jealousies and the governmental contrivances for revenue, through a whole age of nascent commerce. Always the possibilities of production were being immensely reduced. Always many were being checked or thwarted in their industry or their enterprise; always some traders were being ruined or injured; always life was being made difficult for men seeking to promote industry and exchange. When woollen manufactures had grown to some strength in England, the organized weavers made it their business to prevent any selling of cloth by home workers who might produce more than they needed for themselves. The spirit of restriction was as it were innate or inculcated in every relation of life. It was small wonder if it was taken for granted as a principle of government in all civilized States.

It is an English tariffist, Professor Hewins, who writes that, "Looking through the Statute Book, our first impression is that commerce, during the latter half of the fourteenth century, was so cramped by absurd regulations that progress was well-nigh impossible." And he offers no grounds for modifying that summary as a statement of historical fact. Yet not only he but the two researchers who have done most in recent times



to illustrate the early history of English commerce and industry, Professor Ashley and Professor Cunningham, have been found within the present century taking the side of the revived movement for the imposition of a tariff system on Britain. It would seem as if no familiarity with the destructive effects of protectionist methods can enlighten mere students of economic history who do not master the process of economic analysis. And where men professedly economists can still fail to learn the lesson, it is small wonder that for centuries the real nature of economic sequences was unperceived by statesmen.

Even where an undesirable sequence must have been obvious to many, there were always arguments, backed by special interests or special prejudices, for ignoring the sound inferences. When, for instance, Kings put an embargo on the export of corn, on the patriotic and generally attractive principle that the nation should profit by its own plenty, they inevitably tended to restrict corn production. The corn-grower was not going to keep up his output for the altruistic pleasure of selling it at the lowest possible price in a fruitful year. The principle of securing the general good, thus applied, meant his impoverishment; and his resulting abstention from growing more than he could be fairly sure of selling at a good price meant the absolute reduction of the nation's food supply. This must have been apparent to some intelligent men at an early stage. It is probably expressed in the old proverb: "Opinion of store is cause of want." Obviously the best chance of securing a good supply of corn was to leave the grower free to sell wherever he found a market; the embargo on export being resorted to only when there was scarcity both at home and abroad.

So, in France, in the eighteenth century, it was long obvious to intelligent men that the obstacles to import and export between the different French provinces was a fatal cause of general scarcity. There the principles of Protection had been carried further than they ever

had been in England, under the system of government by Provinces. Save under heavy duties, no farmer was allowed to sell his surplus produce across the provincial border; no dealer was free to import, when his district suffered from scarcity. The mere costliness of transport, in that age of small transport facilities, was in itself sufficient to make corn dearer: the export and import duties made it much dearer still. Thus all France lay under a stupid fiscal system which was always impoverishing and starving the people in some province; and where the harvest was good the farmers were hindered from selling to the provinces where it was bad, wherefore they would sow less the next year. Not till the great experiment of freedom was made in Tuscany about 1740 was a sufficiently powerful argument apparent to any but the enlightened minds; not till about 1775 was Turgot in a position to abolish the internal restrictions on the corn trade in France; and then the aristocrats, and the financiers whom he had antagonized, successfully strove to overthrow him, thus making a revolution inevitable.

For there was always *somebody* who profited by the policy which impoverished the many; and there were always many who could not see how prejudice and use and wont were misleading them. Take the case of Tuscany. The Republic of Florence, in the days of its freedom, had always been commercial and industrial, with small regard for agriculture. In that period, England, little England as she then was, profited by her sheep-growing very much as she profited in a later age by her superiority in coal. Apart from Spain, she was the chief producer of wool. The Florentines, who needed wool for their textile trade, had to compete with Flanders in the English sale-market, seeing that Spanish wool did not singly meet their requirements. Yet they made no systematic attempt to produce wool in Tuscany. And when the Medicean princes came into autocratic control of Tuscany they not only carried on the medieval system of perpetual and universal interference with all industry and production, but maintained or set up in the

agricultural area of Siena all the worst feudal burdens, keeping the country in separate fiefs with heavy customs-duties between them.

These customs were professedly for revenue, like the frontier customs; and the cost of collection absorbed more than two-thirds of the whole receipts. Further, the revenues of all kinds, the innumerable monopolies, which included salt, bread, and iron, and the licences required for carrying on all kinds of trade, were *farmed out* to a class of men who so made their living. That the swarming ecclesiastics paid no taxes, and had a first right of purchase in all markets, was a minor detail. While the population in general were thus bled, the agriculturists of Siena were forced by the corn laws to keep food-production at a minimum. In time of plenty they could not export; therefore they sowed as little as need be; the undrained land was perpetually fever-stricken: and the small population was dwindling.

When, then, there entered a new dynasty, in the person of Francis of Lorraine, who by his marriage with Maria Theresa became Francis II of Austria, that prince's acceptance of the Free Trade doctrine of the enlightened ecclesiastic Archdeacon Baldini had to be effected under the opposition of the whole tribe of tax-farmers, tax-gatherers, and financiers who lived by the old system. Ruinous customs-duties, under which a bale of wool had to pay at ten customs-houses between Leghorn and Cortona, besides local duties under forty-four different heads, supplied a small remainder to the requisite public revenue, part of which was mortgaged for a loan made by Francis to his Austrian consort. It was a kind of political miracle that nevertheless the reform was carried out by which the maremma of Siena, given freedom to sell all the corn it could grow, passed in a generation from misery to prosperity, and became the most flourishing agricultural population in Southern Europe.

In France, later, the forces of resistance were the same. A tribe of officials, tax-farmers, tax-gatherers,

supervisors and underlings, lived by the deadly restrictions on freedom of production and exchange. For them, and for all connected with them, the abolition of the restraints meant unemployment and impoverishment; the aristocracy were largely implicated in the system; and the lack of a sound system of finance, by reason of the non-taxation of the rich ecclesiastical land-owning class, gave a weight of inertia to the resistance. Thus for a large part of the educated French population a great plan of reform, involving the betterment of life for the mass, figured as a plan of ruin for themselves or their friends; and their resistance, preventing a general financial reform, made the Revolution first a probability and then a certainty.

The whole history of restraints on free exchange thus establishes one historic truth which is at once economic and political. The imposition of burdensome restraints is for multitudes of men in all countries a natural, a spontaneous device. Artisans and traders, in their own private or class interest, resort to it with equal zest. It is only in modern times, by reason of the special prominence of the English Corn Laws, that it is specially associated with the self-interest of a wealthy landowning class. All classes, save the toilers on the land, have been alike implicated in it in the past; and the land-labourers abstained not through special enlightenment but simply by reason of their impotence. Under Jack Cade they were no wiser or juster than the other classes had been.

Kings inevitably exploited the general tendency for the sake of revenue, as well as in the hope of strengthening their realms for military purposes. But as soon as a new democracy was well on foot in the United States of America, it resorted to the old monarchic and oligarchic devices, and in the name of the common good set up tariffs which enriched the few and burdened the many. And in all cases alike, one generalization holds good. It is relatively easy to set up, step by step, a system of protective and revenue-yielding restraints on trade. And nations must sweat blood before they can get them off.

Nowhere is the political tendency clearer than in the fiscal history of the United States, which might be said to present the picture of an energetic people making a revolution to prevent the levying of a tax on tea; and then, after a partially lucid interval, proceeding deliriously to super-tax themselves on everything else ever since. Of course the "free and independent" colonists of North America had to do over again, on their own impulse, all the kinds of things done by economic ignorance in modern Europe. Every factor of class greed, class combination, popular credulity, and ill-will to "the foreigner," operates in republics as in monarchies. People who were "Britishers" up to 1774 did not alter their psychology with their name, and they went to work in fiscal matters very much as Britain had been doing. The colonies had played the wildest games with currency many times over, off their own bats. They had their own tariffs against each other, and inasmuch as the Southern States were then, as for a long time afterwards, the more productive, the North paid its trade balance to the South, before and after Independence, largely in slaves, the trade in which was a Northern speciality.

At the Revolution, curiously enough, the commercial loss, which was expected to fall on the mother country, fell heavily on the new Republic, inasmuch as the mother country withdrew the old freedom of American trade with the British West Indies. Pitt, indeed, always a free-trader at heart, wanted to prevent this, in 1783; but the protective instinct, nourished by new animosity, thwarted him; and a large part of American commerce was prostrated—to the equal damage of the people of the West Indies. Having to get their products by round-about trade, sugar and coffee going to the States and American flour to the islands *by way of Europe*, all prices rose, and trade and comfort languished.<sup>1</sup> But when, in 1802, the momentarily enlightened British Govern-

<sup>1</sup> Between 1783 and 1787, through local famine in the West Indies, caused by hurricanes, 15,000 negroes perished by hunger. This, as one historian has put it, was "anpoying."

ment proposed to Congress a mutual abolition of all discriminating duties between the two countries, Congress refused.

American manufacturing interests were now involved. The previous British policy had provoked retaliation, and facilitated the demand for duties on American imports from Britain; and the American manufacturers, who at that time were more often Southern than Northern, held on to their class profit from the duties. Thus began an economic evolution which eventually precipitated the American Civil War.

After 1802, when Napoleon started his continental blockade, Britain opened the West Indian ports to the States, to get supplies. But the war between Britain and the States in 1812 threw everything back; and in 1822 and 1825, and later, all conciliatory negotiations failed. The American situation was already unmanageable. There, nascent industry, after the War of Independence, found itself faced by the competition of the old country; and in particular, at the close of the War of Independence and at the close of the war of 1812, by the peculiarly provoking phenomena of dumping. British traders, whose American sales had been held up during the fighting, in each case rushed over as many cargoes as possible when the ports were opened. Competing blindly, in a market impoverished by war, they overstocked it, and for their own sakes had to sell at slaughter-prices. Of course the exasperated American manufacturers represented this fortuitous fiasco as a deliberate attempt by the mother country to ruin American manufactures, especially in the matter of arms and munitions; and thus they could make a patriotic appeal which carried their point—the more easily because the mother country maintained a tariff against American produce.

But for that, they would have found it a harder matter to persuade men who had begun a rebellion in resentment of a tax on tea to assent to new and far more burdensome taxes on much more important imports. But the repre-

sentation that the old country was striving to render the Republic incapable of producing necessary munitions for itself in war-time sufficed to secure the imposition of a new tariff; and, that tariff becoming a source of enrichment to the manufacturing classes, it has taken wider and stronger root, with some fluctuations, ever since.

As always, the majority suffered to enable a minority to prosper; and the Nemesis of economic sequence made the United States one day pay a terrible price. Economics, I have reminded you, is not in itself a science of ethics. Its exponents and promoters, however, have as a matter of fact been in general men of clear ethical perceptions; and they have proceeded on these, taking the law of justice for granted, when their opponents trod it underfoot. Where was the voice of ethics in the guild systems and the fiscal systems of medieval Europe? Which was the voice of righteousness in Tuscany, that of Bandini or that of the official defenders of use and wont? Who were the righteous men in pre-Revolution France: Turgot and his friends or the aristocratic and official class who brought him down?

In the United States the problem was more complicated. The need for an easily exacted revenue, which always underlay and fostered protective tariffs in Europe, operated there in a special degree. There was something deadly in the facilities offered by a tariff revenue to a government which could not dream of levying an income tax after the recent example of England. But, as always, the facile plan of a tariff meant iniquity. As was pointed out by John Calhoun long before the Civil War, the effect of the American tariff was to lay a special economic burden on the Southern States in the mass as compared with the Northern, inasmuch as it was the Southern States who yielded the great bulk of the produce annually exported to purchase the requisite imports. Their own produce could not be protected; their imports were taxed. In the period in which the South was manufacturing as well as food-producing and tobacco-

producing, the tariff was not broadly iniquitous as between North and South; and the South assented to it. At times the planters were even foolish enough to call for a tariff on the ground that they feared competition by foreign cotton, and wanted to build up a home market. But when the South, always the chief exporting section in respect of tobacco, widely developed cotton-growing with its slave labour, at first mainly supplied by Northern enterprise, the South practically ceased to be manufacturing, and became pre-eminently the source of raw produce.

In the period up to the Civil War, the South, largely on the cotton basis, yielded 80 per cent of the exports of the States, thus becoming the main source of American commercial wealth, and, at the same time, a great source of British wealth. Manchester, which began cotton-manufacture in the seventeenth century with cotton-wool from Smyrna and Cyprus, in the nineteenth century grew newly great on cheap cotton grown by slave labour in the American Southern States. The great detriment was that only negro labour could work in the cotton fields; and the negro was not ready to work as a freeman for wages. But the North, which had once been up to the neck in the slave trade, now made the situation hopeless by developing a tariff which in effect, by taxing all imported manufactures and thereby making home goods dear, absorbed much of the Southerner's profits and kept the planters relatively poor.

The wealth of the North was really South-made. Cotton and tobacco were the staple exports. Thus the Southerners had to pay in greatly enhanced prices for all the manufactures they had to purchase; while the manufacturing interests in the North flourished at their expense, they being in the nature of the case incapable of similar gain.

Here we face the moral and economic complication of slavery. The men of the North, we can infer, having in large part cooled to slavery, which their fathers had fostered, felt that the imposition of costs on the South



was in a sense a justifiable offset to the fact of slavery, which always had Northern opponents. This attitude, of course, was unjustifiable, since the whole body of the States had originally stood by slavery, and Washington himself was a slave-owner, and the author of the Fugitive Slave Law. But in point of fact the burden of the fiscal system only served to strengthen the hold of slavery, up to the point of fatal political explosion. Had the South been left to free economic development there would have been an immensely better chance of free labour gradually competing with the relatively inefficient labour of the slave, and so making a way for a solution without Civil War. As it was, the slave-owners of the South saw no other way of economic maintenance, and, supplied with a rankling grievance by the eternal burden of the tariff, they were politically educated for the Civil War. The tariff, it must be remembered, was one of their primary grounds for desiring Secession.

The later phases of American Protection exhibit the same concurrence of spontaneous proclivity and political pressure in the building-up of tariff systems. As I have more than once pointed out, Cobden's constantly misquoted prediction, that a complete resort to Free Trade in England would be followed by a movement towards Free Trade in other countries, was really in large measure justified by the immediate sequel, and was later frustrated only by new political conditions which Cobden had hoped would not arise. It is of great importance that all defenders of Free Trade should realize the historic facts. The American tariff was actually being reduced in the period between 1846 and the Civil War. The protest of the South did not fall solely on deaf ears; and many Northern politicians were for various reasons disposed to resort to freedom in trade. But after the Civil War the terrible facility of Customs Revenue, so much needed to pay off debt, led to a heightening of the tariff to a point at which it was irremovable by reason of the power of the interests involved.

When tariffists tell us that the practice of other

countries is a proof that they have found it "to their interest" to maintain protective systems, the bulk of the answer is just the notation of that fact of the financial pressures following upon wars, which drive statesmen to evil courses because they do not see their way to better ones. The same explanation accounts for the revival of tariffism in France and Germany in the nineteenth century. Cobden partly verified his own prophecy by carrying through the Commercial Treaty with France in 1860. Napoleon III established Free Trade in corn for France. France was thus, in actual fact, nearer Free Trade than she had ever been. Prussian statesmen were moving in the same direction; and even after 1870 the movement was continuing. But when in 1875 the instructive sequelæ of the French indemnity left Germany in a state of industrial collapse and France in a state of new prosperity, new military expenditure was felt to be compulsory; and when the constituent States of the German Empire would not provide it, Bismarck, previously a Free Trader, secured it by an Imperial tariff. On the one hand he bribed the land-owners by protection against American and Russian corn; on the other he bribed the manufacturers by protection against British goods. Of that policy we have seen the political consummation.

In France, things went the same way, for equivalent reasons. The War Debt called for an easily exacted revenue, and when it came to protecting the preponderating agricultural interest against imports of cheap American corn, the politicians had small choice. The land-owning peasantry were politically the most powerful class. In America the agricultural class had been plundered by the manufacturing; in France it was the other way about, though the manufacturers exacted an evil compensation. And in France the result has been a perpetual lagging of the majority of French manufactures and of shipping behind those of Britain. It is all sequent. The free-trading State took and kept the lead from the day it embraced Free Trade; and when the

World War came it was found to be financially by far the strongest in Europe.

*Absit omen.* It is after the War that new financial difficulties give new encouragement to the doctrines and devices of Protectionism, always made appetizing for the multitude by false pretences of maintaining employment, of developing and unifying the Empire, and retaliating on those who set up duties against us. But let us not forget how Protectionism has taken root in our Dominions with a minimum of justification from financial needs. In Australia and in Canada we see a combination of Capital and Labour to bleed the agriculturist as was done in the States before the Civil War. And in Australia there is a visible political Nemesis in the case of the action of Labour towards Capital. The capitalist there complains that Labour strangles enterprise. And it is broadly true. The stagnation of Australian development is one of the most instructive spectacles in sociology. But who began the strangling process? The capitalists who, with the support of bribed labour votes, set up in Australia the tariff system which systematically bleeds and repels the agriculturist. It is on the artificial basis set up by the tariff that the tyranny of Australian Labour has been built.

In Canada we have another illustration of the fatality of economic sequence. There the imposition of the tariff, heavily burdening the agriculturist, has created a state of affairs in which reformers cannot act. The deposits of the banks are largely invested in manufacturing concerns; and when Sir Wilfrid Laurier, in the last generation, actually had a majority with a mandate to remove the tariff on imports, he found that to do so would be to create a great financial crash through the whole Dominion. The protected manufacturers could not stand on their own feet; their collapse meant the collapse of the banks and the loss of the deposits which they had lent. The tariff had to stay; and stay it will till economic science rules the fiscal life of all States instead of being a body of knowledge disregarded by most of

them. They may, if they will, call their policy a New Economics. In reality it is but an old Rule of Thumb, set up by interested classes at the expense of the rest.

I have spoken of the practice of Protection as in its earlier phases Instinctive. That is not a scientific use of the term; for I agree with the contemporary psychologists who protest that the name instinct is fallaciously given to a great many procedures which are matters of inculcated habit. But the colloquial use of the word serves to emphasize the fact that Protection is a matter of spontaneous bias rather than of experiential theory. Broadly speaking, Protection was practice before it professed to figure as theory: Free Trade in the sense of free imports was theory before it became practice. In our own country it proceeded by steps; the crowning and decisive step being taken only in the light of the experienced benefits of the others.

But still the untrained and uninstructed mind of the many tends spontaneously to take the Protectionist view of things. The normal economic ignoramus spontaneously believes that to buy only British goods is the way to increase British employment; and that to keep out or discourage foreign imports is sure to help. Mr. Wells, who is always ready to prescribe confidently for social and political maladies, chimes with Mr. Baldwin in describing Free Trade as a system which functions only one way, to the discomfiture of the State which practises it. The trouble with Mr. Wells and Mr. Baldwin is not that they have a New Economics but that they have no Economics at all. They have only an untested intuition, like the men who before Copernicus, and for a long time after him, confidently knew that the sun goes round the earth daily. They simply cannot conduct an economic argument.

Still, there the fact stands that cultured men of their status are at the standpoint of the man in the street. And, let us never forget, it was one of the many miscarriages of dear old myopic Adam Smith to set forth one economic argument which really bears them out,

and is to this day quoted by Protectionists in support of their case—the famous argument known as that of the Two Capitals. And he formed that argument by way of resisting another set of unsound arguments, those of the previous economists who gave bad reasons for a policy of increasing foreign trade. Instead of simply repelling their bad arguments, as he very well could, Smith set about proving that foreign trade was in its nature less profitable to the nation than home trade. This was doubly indefensible because he had expressly admitted that it is in the nature of foreign trade to secure certain produce at a much lower outlay of capital and labour than would be required to raise it at home. By way of taking the Protectionists in flank, he now argued to the effect that a home manufacturer who sells his goods at home replaces his own capital and that of the trader who buys his goods; whereas if he sends them to Portugal he replaces only his own capital in his own country. Therefore, in that case, he does ill for his country.

Treat that argument deductively, and see to what it leads. On that doctrine, the man who sells his goods out of his own *town* is doing ill by that as against the man who sells his goods in his own town. Immediately we realize that in the nature of trade that cannot be done. It is of the very essence of progress in trade that the producer is seeking an ever-wider market. Certainly the home market may improve; but if the manufacturing town, or its county, is to be the sole market for its own produce, there is short shrift for expansion. And just as the manufacturing town must have a widening market if it is to expand its production, so must the manufacturing country as a whole.

Treat the proposition now inductively, proceeding on and from the facts. At the very start we find it false. The sending of British goods to Portugal involves the receiving of Portuguese goods in return—or, what comes to the same thing, goods paid for by Portuguese produce. Smith, who confuted the bullionist delusion, knew this: goods exchange between nations for goods. Then the

importation of the return goods from Portugal necessarily employs and replaces a second capital here just as the home purchase of the British goods would. The special fallacy of Smith's argument lay in his putting it as if there were only a fixed quantity of British products for export, and the sending of some to Portugal were *therefore* a national loss. As a matter of fact, the British manufacturer was always tending to produce in excess of the home demand, just as did the English wool-grower under the Plantagenets. To sell abroad in both cases was to expand a national capital which otherwise would shrink, even while at the same time expanding a foreign capital. That was all to the good, since it expanded the foreign market for our products.

It has been loosely but suggestively said of early English trade that before Edward I it was municipal; that under him it became national; and that under Edward III it had become international. That was roughly the nature of the movement; and it meant expansion of "the wealth of nations." But for the endless restrictions, the progress would have been thrice as great. It is the glory of trade, as against all its blemishes, that it has been the great factor in promoting human intercourse; and it is the highest glory of Free Trade that it raises the function to the maximum. The more deplorable was it that Adam Smith, under provocation of a bad economic argument for the promotion of foreign trade by bad fiscal methods, should have been seduced into an argument which pointed, if anywhere, to a policy of discouraging all foreign trade, thereby tending to justify all duties on imports, and stultifying his own ground principle of the division of labour.

But if so excellent a mind as Smith's could thus lapse, under stress of debate, how inevitable it is that men of far lower capacity and candour should remain at the level of not even seeing the essential absurdity of the bullionist theory which he and others exposed. Smith's defect was his myopia, his difficulty in keeping all the aspects of a problem before his mind at once. The

average man, alack, cannot see so many as two aspects of a problem at once.

To this day our tariffists are at the standpoint of the bullionists who supposed trade between nations to be on exactly the same monetary basis as that between individuals of one country. "Buy home goods," they shout, "and you will give home employment." They do not see the facts. First they implicitly deny the vital truth that trade between nations is, like that between neighbours, beneficial to both. Then they assume that it *is* on exactly the same footing as to mode of payment, which it is *not*. They do not know that imported goods are and can be paid for in mass only by exports either of British goods, made by British labour, or of other foreign-made goods bought by British goods; and that by curtailing those exports they are disemploying British labour. To this day they are alarmed by the very figures which show national profit—the excess of imports over exports. At the bottom of their hearts—for we cannot say their heads are concerned—they feel that the excess must be paid for in cash, and that the nation is thus being impoverished.

It is not only the man in the street who thus feels and talks. Mr. Baldwin may have learned enough prudence not to say it; but you will remember how Mr. Seddon, a former premier of New Zealand, told us in the last generation that every year "a hundred and fifty million golden sovereigns" had to go out of Britain to pay for excess imports. That conception of trade is not in the least obsolete among our Dominion statesmen. Since the War, we have had Mr. Meighen, who the other day was Prime Minister of Canada, solemnly proclaiming to a Canadian audience that ever since 1846 this country has been heaping up foreign debt against it by reason of its annual excess of imports. That allegation was made just after the War in which Britain through its accumulated wealth financed Canada, Australia, France, Italy and Russia, all of them tariffed.

The lamentable spectacle of such economic incom-

petence on the part of statesmen of the British Dominions is the sufficient reminder that economic incompetence is the inheritance of the average man, not to be got rid of save by economic enlightenment. When Mr. Joseph Chamberlain in 1903 set out on his campaign to persuade us that he could levy 10 per cent on £140,000,000 worth of imports, thereby producing a revenue of £14,000,000; and all the while be *keeping out* the £140,000,000 worth of imports and thereby creating employment to that extent at home, all Birmingham, broadly speaking, went with him. To-day it is a mark of relative intelligence in Birmingham to be able to say, "I never put it that way"; but it is to be doubted whether the general level of intelligence has risen. An argument of which the infantine absurdity might be exposed by an average negro is still inarticulately assented to by multitudes of Englishmen who think they intuitively understand the nature of international trade.

And this is what we have to face. So long as British industry was prosperous under Free Trade, the campaign started by Mr. Chamberlain was baffled. It had no gleam of success save in a time of unemployment. Unemployment was actually worse in America and in Germany than here; but these latter facts did not prevent the transient gleam of success; and now that unemployment is lasting as a result of the lamentably changed conditions following on the War, Protectionism is gradually gaining ground. Defeated in 1923 on a clear issue, it has substituted insidious flank advances for frontal attack. And should the industrial situation grow worse, we shall not have the support for Free Trade that we had in 1923. You remember the saying of poor Mr. Bonar Law, that "two bad winters" would turn the tide in favour of Tariffism. It was a singular saying, implicitly avowing as it did that we might go on having good winters under Free Trade; and that still Mr. Bonar Law would argue that Free Trade was a bad thing. As if there had not been scores of bad winters under Protection!



But there the situation stands: the depressed condition of industry that has followed on the War and the financial burdens ensuing will, if it goes from bad to worse, operate upon a general ignorant predilection for tariffist measures. And if once Britain sets up a protective tariff, there must ensue something a great deal worse than two bad winters, if there is any such thing as economic science at all. Our one chance, then, is some such propaganda as was carried on during the ten or twelve years of the Chamberlain tariffist campaign: and such as was revived in the emergency of 1923. Nothing will save us but a fresh diffusion of economic knowledge. The unenlightened mind, we must sum up, is almost spontaneously protectionist.

And there will not be lacking systematic outlay on the part of those separate interests which count on being enriched under Protection. They represent only a minor section of the industry of the nation; but in the ten years before the War that section must have subscribed two millions or more in the hope of having a tariff established. The defensive campaign was largely carried on by the general funds of the Liberal party. There are no such funds, strictly speaking, now in existence. I mean that the defensive power of Free Trade doctrine, in the way of propaganda, has been immensely reduced; while the hostile forces are gaining ground.

No confidence is to be placed in the hitherto predominating Labour tendency to support Free Trade. Mr. Snowden, who is a Free Trader, has been described in a Labour journal as one of the loneliest figures in his party. Mr. MacDonald has spoken, at a General Election, of the Free Trade issue as a trifling thing. Many tariffists count upon winning a large labour section to the side of tariffism. In a recent appeal for protection under the Safeguarding Act, the Trade Union concerned has joined hands with the employers in their application. That phenomenon seems likely to recur. And, let us remember, it has been by the votes of working men that tariffs have been set up and maintained in the United

States, in Canada, and in Australia. Unless the bulk of our population is kept instructed in the historical and economic argument for British Free Trade in particular, British Free Trade may go; and with it will assuredly go all chance of British commercial prosperity.

Holding that the historic evidence must be realized along with the economic argument as to the causation of the sequences, I am inviting you in this inquiry to grasp the Free Trade doctrine as a living body of real knowledge. Its enemies, themselves the merest shibboleth-mongers, call it a shibboleth. I will undertake to show to any student who will face the relevant historical facts and draw the honest inferences that it is, for this country in particular, the most vitally important politico-economic doctrine yet attained or attainable, being the clear resultant of whole centuries of commercial and political experience.

### III

#### THE DEVELOPED THEORY OF PROTECTION, AND THE CONSEQUENCES

I HAVE said that Protection was a practice before it was a theory, whereas Free Trade was a theory before it was a practice. These statements are not psychologically exact, since every organized procedure implies some amount of theorizing; but it is accurately descriptive of the development of written and elaborated Protectionist and Free Trade doctrine. Protection was an established thing, with a body of written doctrine, before a doctrine of Free Trade was thought out; though we have many interesting flashes of recognition of the truth in the interim.

It was natural and fitting that political economy should first take form round the problems of money, that powerful and vital factor in commerce, facilitating and inviting exchanges, and supplying a new motive alike to production and to adventure. It is the economic expression of the commerce of civilization as distinct from the traffic of savagery and barbarism. The epic of Homer, with cattle and chattels for tender in traffic, presents the stage of the higher barbarism for one race, on the borders of an older civilization.<sup>1</sup> In the modern world, especially after the discovery of the American mines, the phenomena of the exchanges of the precious metals, above all things, began to stir men of affairs to frame something in the nature of economic theories.

Those theories take for granted the established motives of national and class protection, which remain in operation.<sup>1</sup> Jealousy of the foreigner, the self-seeking of guilds

<sup>1</sup> Professor Bastable, in his able work on *The Commerce of Nations* (p. 48), posits a *transformation* of Mercantilism into Protectionism at the close of the

and corporations, keep on foot the spirit of national and local interference; and the spontaneous impulse to prevent the exportation of corn checks the production of food, tending, in the case of England, to make the nation sheep-growing, instead of corn-growing as it had been under the Romans, and thus providing less for increase of population, while aggrandizing the baronage and the Church as sheep-breeders. At the same time the patriotic impulse to maintain the nation's naval strength stimulates decrees which check commerce by insisting that all goods, so far as possible, shall be carried from and to England in English ships.

In every one of these matters bad results were recognized even by the officials and legislators who had advised and made the laws. Particularly instructive is the record in regard to shipping. Here was a country obviously fitted for seafaring—not, indeed, as the racial sentimentalists would have us believe, in virtue of Teutonic or Scandinavian heredity, for the Anglo-Saxons were not seafarers—but by reason of its insularity and its many ports. And yet the Statute Book is dotted with cries of apprehension, from the twelfth century onwards, over the lack of seamen and ships. The Kings were always planning to force the development of shipping by barring out foreign cargo-carrying vessels; and thereby they merely secured that there was less for shipping to do. The economic logic is clear enough to-day. By denying entrance to the foreign ship with its cargo, they prevented an exchange which would have involved later English exports; and at the same time they set the foreigner on barring out from his ports English ships with English cargoes.

In the face of this, Dr. Cunningham, our modern Protectionist economic historian, has to avow that the restrictions were defeating themselves. But, he writes,

nineteenth century. There certainly was a shifting of the stresses of debate; but Protectionism was really taken for granted in the early stages of Mercantilism, and, as Professor Bastable notes, modern Protectionism subsumes the gist of Mercantilism.

the restrictions imposed by Edward III, "though they hampered, did not *destroy* English shipping"; and he adds that "there were other causes which led to its decline." There are always "causes" hindering trade; and in those days, besides the primitiveness of the arts of shipbuilding and navigation, there were the special factors of war and pirates. The latter cause was a constant scourge. But there arises the question, little investigated by the historians, Who were the pirates? We hear of Baltic pirates and French pirates; but there were unquestionably also English pirates; and the fact emerges that piracy was practised by all seafaring nationalities, mainly by way of reprisals. No Power would or could effectively restrain it, because all Powers all the while were seeking systematically to injure each other's shipping; and all accepted the practice of seizing the cargoes of innocent foreigners to make good losses by foreign piracy. Trade was thus always under fire.

Had the leading seafaring Powers only thought of letting each other's shipping have free entrance, all alike would have had a decisive interest in stopping piracy, if there were any left to stop. But neither a common interest nor a common religion could influence them, in the lack of the systematized common sense which is Political Economy. Of all alike, Chaucer's line on his Shipman is the moral description:

Of nycē conscience took he no keep.

Chaucer's Shipman is a pirate whenever occasion calls. Piracy was in fact the natural fruit of restrictive trade policy in the age of undeveloped central government, as smuggling was its natural fruit in the age in which developed systems of government could put down piracy.

Meantime the shipping laws wrought no improvement. The Act of 1381, passed by the provisional government in the minority of Richard II, was "to increase the navy (that is, the mercantile shipping) of

England, which is now greatly diminished"; the old complaint, with the old remedy of restricting the carriage of all imports and exports to English ships.

Admittedly the previous laws had not been obeyed; else shipping would have been in still worse case. Nor was the new Act in the least effective for its professed purposes, to say nothing of its hindrance to trade. Piracy continued, of course, in the ratio of effective restriction of free intercourse. At length, in 1409, the new King, Henry IV, seeing how all commerce was being strangled, gave permission to the Government of Venice to send the Venice Fleet, as it was called, annually to England with trading cargoes, with further permission to the Venetians to trade between England and Flanders, and to carry home cargoes of English wool, cloth, and other merchandise. That this policy revived trade, strengthened the realm, and encouraged shipping, may be reasonably inferred from the facility with which Henry V, not many years afterwards, conducted his invasion of France—with, of course, the due result of fresh curtailment of national well-being.

The old devices of restrictions on foreign shipping are found being again resorted to under Henry VI, Richard III, and Henry VII. The last of these Acts is the avowal of the futility of the others; and in an Act of Edward VI, in 1552, we have the express declaration that the last Act, which had operated through the reign of Henry VIII, "was supposed to be made for the maintenance of the navy of this realm," and incidentally for the cheapening of wines and woad; whereas, in point of fact, woad and wines were dearer than ever, "and the navy of the realm thereby never the better maintained."

We can see at once how the old pretexts of cheapening wines and woad—an expression of the class interests of the upper classes who wanted cheaper wine and the merchants who wanted cheap dye—had been covered by the pretence of patriotism. Naturally, the creation of a home monopoly in the carrying trade had done nothing to cheapen anything, and the eternal restriction

of exchanges had checked the development of shipping in the old way.

And still the restrictions were in large part maintained. The Act of the first year of Elizabeth, declaring that they had caused bad blood, retaliation, and loss to English traders, did but relax them; and when Elizabeth's policy of monopolies created a new home interest that *wanted* to keep wine dear, and therefore to restrict imports in foreign bottoms, Burleigh's aversion from wine-drinking moved him to let the monopolists fight it out. Thus the pretext of strengthening the navy comes again into action, and is applied to fishing as well. How the spirit of freedom, and the spirit of intercourse between nations, survived those perpetual flouts and bludgeonings, is a thing to wonder at.

Here indeed, the Protectionist, always zealous to see nothing but good in the working of his creed, may ask us how it came about that commerce and industry and shipping *did* advance in the era of restraints if their whole tendency was to strangle it. The answer is simple. Men can walk in fetters, albeit slowly. All trade in those ages was fettered, yet the spirit of gain, the need for gain, and the instinct of adventure, slowly expanded it under all difficulties. Certain nations profited by the misfortunes of others. The Hundred Years' War, crippling France, favoured Flanders. When Spain drove out her 160,000 unconverted Jews in 1492, and her million of Moriscoes in 1610-13, she definitely accomplished the arrest of her commercial no less than of her intellectual development. When Edward I, in 1290, drove out of England the whole body of the Jews, numbering some 16,000, with the same accompaniments of ruthless cruelty and rapine that later marked the policy in Spain, he certainly checked for a generation the growth of commerce in England.

But where traders were ruined, either in mass or singly, new traders arose and struggled on. While the barons were exterminating each other in the Wars of the Roses, foreign trade still went on, the better because old

legal restraints were slackened. And when, near the end of the sixteenth century, Antwerp was commercially destroyed by the Spaniards, other trading countries prospered newly on the ruin of Flanders. The progress was the smaller because the ruin of one country always affects for the worse the trade of others; but relatively there was gain to some competitors. And relative peace in England under Elizabeth permitted growth of population and consequent increase of home industry, albeit under a network of restrictions and monopolies. When, again, the monopolies were in the main abolished under James, by the pressure of the rising tide of resentment among traders against the iniquitous privileges of a small class, though the monopolies of the trading companies remained, commerce necessarily expanded.

Thus in the seventeenth century we come upon a state of industry and commerce in which an ideal of restraint and interference in trade is paramount; and all the more so because the central government has grown stronger and more bent on general control of life. And that system, eliciting a new abundance of criticism, facilitated by the printing press, gives rise to a certain co-ordination of theory, which is the first form taken in modern times by Political Economy. What we may term the crystallizing element is the spontaneous belief that the wealth and material well-being of nations turns on the extent of their possession of gold and silver, the universally exchangeable precious metals. The belief is as natural, as satisfying to ignorant common sense, as the belief in the blocking of foreign imports, the retention of native corn, and the revolution of the sun round the earth.

A man who had plenty of gold and silver was a rich man. A man who had little or none was poor. Then, said the wisecracks, it must be so with a nation as a whole. Kings, in the age of kingly wars, inevitably took the same view. Gold and silver were for them in particular "the sinews of war." So they enacted as a matter of course that bullion in any form must not be allowed to leave the



kingdom; that foreigners should take away only English produce that was legally saleable; and that English traders should not take bullion with them to buy foreign goods. If only the traffic in goods were itself free, no great harm would have been done, since in the nature of the case traders sought goods, and wanted bullion only to pay balances. But the check on bullion, combined with the check on trade, tightened all the fetters. All States, broadly speaking, applied the same policy, each striving at once to get bullion and to withhold it from others.

Even in the days of Elizabeth and James, some inquiring spirits began to see through the delusion. Two outstanding facts were facing them. Spain, the reservoir of bullion, the mistress of the mines of the New World, was palpably poor. She had substantially destroyed her industry and her commerce, and her bullion inevitably leaked out to pay for other imports. On the other hand, Holland, with no gold mines, had built up a trading and carrying system which made her people, albeit frugal, collectively the most prosperous in Europe. Spain swarmed with beggars. Holland had none. And such men as Bacon and Raleigh could see that, as they and the others put it, Holland had the richest gold mines above land that then existed. Other men pointed out that national wealth visibly consisted in command of commodities, abundance of food and clothing and housing. They could see, also, how a system of low customs duties multiplied Dutch trade, all nations resorting to those harbours. But Raleigh himself was up to the neck in monopolies; and the new system of Company monopolies played into the hands of the bullionists and of the system of restraints on trade.

We can see how, when private and personal monopolies were resented and finally swept away, the Company monopolies could make out a case for themselves. "We put our capital into this venture," the members would say, "on condition that we should be protected from competition after we had run the risks and borne the

burden of pioneering. Without that guarantee we should not have ventured; and you would not have had the trade which we have built up. It is not fair that free competition should be let in when we have cleared the way at our own risk." There is no difficulty in understanding the argument. We heard it some years ago from Mr. J. H. Thomas, when what are fantastically termed pirate omnibuses began to compete in London with the General Omnibus Company. The creed of Protection dies hard, even among Labour leaders.

In point of fact, the plea of the old monopolists was false. The new foreign trade, with India and elsewhere, *would* have been developed by private adventurers if they had been allowed to do so. The monopolists had in fact stepped in in advance and blocked the way. It may almost be taken for granted that bribery was at work to secure for them their charters when private adventurers were already on the seas or gathering funds for the voyage. That the Company monopolies were resented is clear from the contemporary controversy. But all along in this history we see organized commercial interests outfacing the struggling spirit of commercial freedom; and the East India Company was skilfully engineered.

As it happened, the Company was able to advance its interests by securing a modification of the very law which its promoters professed to further. Like traders in general, they professed to regard a surplus of bullion as the end and aim of international trade. Under the law, they were bound to export no bullion. But they knew as a matter of business that they could best trade with India, which did not want British woollens, by carrying thither silver, which India always wanted, and buying Indian goods which they could sell at a high profit in Europe, thus bringing in more bullion than they took out. And in due course, on that representation, they obtained a special privilege to export foreign coin and bullion to India. That, on their own showing, there would thus arise a steady drain of European silver

to India, was not a consideration likely to trouble anybody in those days. Protectionists are never guilty of carrying an argument to its conclusions.

In that form, then, established as economic doctrine for Englishmen by Thomas Mun in the first half of the seventeenth century, there grew up an economics of Protection which has been since labelled as Mercantilism. The Indian relaxation only adapted the principle to expand it. That the prosperity of the nation depended on an ultimate surplus of gold and silver was the established commercial creed; and for over a hundred years that was the basis on which English economic discussion proceeded. Superior thinkers questioned it: Sir William Petty, Nicholas Barbon, and Dudley North, all ably assailed it in the seventeenth century; as did a gifted anonymous writer on East Indian trade in 1701. Dudley North, near the end of the seventeenth century, maintained in so many words that trading nations will have the gold they require; that they will not use more; that they will not be content with less; and that the artificial piling up of bullion is no good to any nation as a whole. But Dudley North was not listened to, and his pamphlet seems to have been suppressed. Locke himself, in his substantially wise campaign for freedom and sound money, argued inanely that relative national wealth was not a matter of having the most bullion but of having relatively more than other people; which was just nonsense.

It was left to Adam Smith, who for his part talked not a little fallacy on other themes, to confute the whole absurd conception—confute it, that is, for thinking men who had followed the whole argument. But how many were there who did? A score of writers, capable of observation and of sound reasoning within limits, continued to hold as it were intuitively to the old spontaneous conviction that if we imported more goods, in value, than we exported, we must *pay* the difference in cash. And that spontaneous delusion is held by millions to-day, including, as we have noted, eminent statesmen in our Dominions,

The false analogy of money sets up an insoluble counter-sense. On the very principle of the analogy of an individual business, the nation should look for profit on its total trade. It should *want* to import more in value than it exports, else it has no gain for all its trouble over and above actual manufacture. Yes, says the Protectionist; but the profit must come in cash. To-day we can point out to him that the piling up of cash not only could do no good to the community but in fact! never takes place. Mun actually admits both things, yet doggedly adheres to his doctrine. The delusion that bullion is national wealth *because* it is individual *command* of wealth, reduces his mind to vertigo. Excess of metal money, we know, like excess of paper-money, simply raises prices. Great nations can carry on a great trade with little or no cash, using bills for the bulk and paper-money for the smaller sums. If they multiply their paper-money they are admittedly doing themselves no good, save in the opinion of those who want prices in general to rise, in disregard of the pinch on the poor.

As regards bullion, our statistics tell us, what our ancestors could not in general know, that under normal peace conditions no nation really does accumulate bullion indefinitely, simply because beyond a certain point of market price it is more profitable to export bullion than to keep it. In the period before the war we certainly, on an average, retained more bullion than we exported; but that was mainly for use in the jewellery trade and in the arts, or for bank reserves, and certainly not for a multiplication of the gold and silver money in circulation. Cheques were progressively doing more and more of the work. And still there subsists not only the belief in the expediency of restricting imports, but the belief that there is always grave economic harm in getting in more goods than we send out; the belief that the national receipt of extra food and manufactures is a bane and not a boon; and that, by parity of reasoning, we should make more employment by doing a smaller foreign trade than we maintain by doing the larger. It is not surprising

that a hallucination still cherished by myriads in the twentieth century should have dominated the economic life of so many centuries up to the nineteenth.

The very men who first collected the material for a history of British trade, Adam Anderson in the eighteenth century and David Macpherson at the beginning of the nineteenth, adhered confidently to the gospel of the Balance of Trade formulated by Thomas Mun in the first half of the seventeenth. And Mun's doctrine, which expanded the bullionist intuition to the extent of allowing export of bullion in order to bring in more bullion, was effectively turned to the support of the doctrine of restriction of imports. Himself a prosperous merchant, he was not a little of a Puritan, and he saw in all forms of luxury, and notably though not solely in drinking and smoking, the great danger to the well-being of the nation. A mortal fear that by sheer indulgence in luxury we should consume our profit on foreign trade, and so lose our *money*, is one of the motives of his treatise on *England's Treasure by Foreign Trade*; and we can understand how such a doctrine, chiming with all the established prejudices against the import of foreign goods, would win him the support of serious men.

It is doubtful, indeed, whether Locke would have been listened to at all on matters of coinage and usury laws if he had not avowed the common faith in the importance to a nation of an abundance of gold and silver, as the surest and least destructible form of wealth. It seemed sheer common sense. Incidentally we may note that Smith's confutation of Mun and Locke, though logically sufficient, is not nearly so crushing as it might have been. He seems afraid of holding up to blame the teachings of men so long respected, especially those of Locke, for whom he had a high and just philosophical esteem. He seems never to have seen the treatise of Dudley North, which might greatly have quickened his thinking.

Let us now note how the developed theory of re-

strictive Protection operated through the eighteenth century, when England had settled down under constitutional government, and during the bulk of the first half of the nineteenth. At the beginning of the eighteenth we find in full swing the Navigation Acts of Cromwell and Charles II, directed to the restriction of the American colonial trade in favour of the mother country, the promotion of shipping, and the checking of the shipping trade of Holland, now the recognized rival of England on the seas. Cromwell's Parliament, indeed, were not at all seriously aiming at the naval power of Holland, which they did not fear. That aim was developed later.

Now, it is quite certain that the effect on English trade and shipping of the new Navigation Acts was wholly bad. Sir Joseph Child, in 1690, enumerated fifteen lines of foreign trade which we had lost either wholly or partly through the working of the Navigation Acts, while the Dutch broadly gained what we had lost. This account is corroborated in 1744 by William Richardson, in his *Essay on the Causes of the Decline of the Foreign Trade*. The remarkable thing is that, though our foreign trade was thus grievously injured, our trade with Holland had gone on; and about 1730 was very considerable. On the other hand, the bar against the entrance alike of foreign shipping and foreign goods had developed in England an enormous amount of smuggling, largely carried on by foreign ships.

Into that heritage entered Walpole, the first English premier with free-trade leanings. He did what he could to wipe out vexations and injurious imposts on trade; and it is recorded of him that, despite all the resistance he had to undergo, he, who had found the English rate-book the worst in Europe, left it one of the best. A book of Customs rates in 1714 shows more than 150 kinds of goods prohibited to be exported; 130 kinds prohibited to be imported; and a list of dutiable imports that runs to a hundred pages. Walpole gave free entry to thirty-six forms of raw material formerly

taxed, and freedom of export to 106 manufactured articles before prohibited. But when in 1733 he set about his Excise Act, as part of his scheme to make English ports free, he found himself beaten by an enormous agitation, which forced him to drop the Bill. It would be hard now to reckon accurately the weight of the various forces involved; but of one thing we are certain. The most energetic, the most powerful, and the most pervading, was that of the Smuggling Interest, which saw itself threatened by extinction.

This is the more readily to be understood when we note how, under our own eyes, there has grown up an enormously rich and powerful interest in the illicit drink trade in the United States, as a result of the policy of Prohibition there. It now pretty clearly appears that the strongest organized force for the maintenance of the Prohibition law is just that of the men who sell all the drink that is illegally sold. They know that without Prohibition they could not make the enormous profits they have been and actually are making by "bootlegging." Exactly so did the English smuggling interest in Walpole's day resist his policy of initiating free ports and free trade. And if we are to glance from the economic to the ethical side of the question, we have to record that smuggling was one of the most fertile sources of demoralization, drunkenness, idleness, crime, and misery, in the eighteenth century.

It is to be remembered, of course, that in this evil fashion smuggling had preserved actual trade. The smuggled imports had to be paid for, like licit imports, by exports of English goods. The imports were not merely of drink but of all manner of heavily dutied articles. It has indeed been affirmed by Blanqui, the French historian of Political Economy, that at that and other periods smuggling alone saved European trade from extinction.

When we note that in the reigns of the first two Georges English *exports* appear to have nearly doubled in value, we realize that smuggling of imports was the

main factor in the increase. Not without reason were the smugglers of old called "the free traders." In their bad way, they made trade expand. And Walpole's reduction of duties must have helped. But when we note at the same time that the tonnage of the mercantile marine, estimated on the annual clearances, had risen only from 444,000 in 1714 to 471,000 in 1760, we realize the utter failure of the Navigation Acts to fulfil their avowed purpose. In the same period the foreign tonnage entering English ports had increased more than fourfold, to say nothing of the smuggling, mostly done in foreign bottoms.

It is thus one of the most unfortunate of Smith's mis-carriages to extol the Navigation Acts as having been "as wise as if they had all been dictated by the most deliberate wisdom"—a declaration which to this day is quoted to the confusion of his own gospel, by its enemies. He puts his case on the score that the Acts had sought, and had brought about, "the diminution of the naval power of Holland, the only naval power which could endanger the security of England." It cannot be too strongly asserted that this statement is not only wrong but discreditably wrong. Smith declares that the diminution of the naval power of Holland was an object which "the most deliberate wisdom would have recommended." Here, let us confess, the professed economist, deviating from his proper task into imperialist politics, has descended to a sufficiently low moral plane. Hume, the greater thinker, would never have said such a thing: he expressly repudiated the ideal of the diminution of either the wealth or the strength of other nations. But the finally significant thing is that Smith was falsifying his own economic science.

He expressly admits that the Navigation Acts had not helped but hindered English trade and shipping. His plea is that "defence" is more important than "opulence." But if English shipping and trade were absolutely injured, there could be no gain to defence on that side; and on the other hand he offers not the



slightest evidence that the power of Holland had been by those Acts diminished. He could not. The trade of Holland had gone on prospering till about the middle of the eighteenth century; and Smith avows that at the time of the writing of his own book Holland remained the most prosperous country in Europe, despite some decline.

What then had really happened? The naval *power* of England had certainly increased; not by increase in the mercantile marine, as we have seen, but by the way of the expansion of the war navy, the natural way of increasing naval power. And that had nothing to do with the Navigation Acts. They had wrought nothing but harm to ourselves and help to Holland. The growth of England, relatively to Holland, was a matter of her much greater area, population, and natural resources; and the Navigation Acts had made the growth much slower than it need have been.

And now let us note the conditions under which industry and commerce were being conducted in England. It was a tyranny of interests, tempered by smuggling; the interests further fighting ceaselessly among themselves. The woollen trade set itself to strangle the cotton trade as soon as that promised serious rivalry. In 1666 the Restoration Parliament actually enacted that no one should be buried in anything but a woollen shroud, under a £5 penalty. The law was long applauded by the bullionist economists; and it was enforced by an army of searchers. Then it was provided, from 1700 onwards, that all Oriental wrought silks and printed calicoes, and all French cambrics, lawns and calicoes brought to our shores, must be re-exported, to help the silk trade. Smuggling defeated that; and the retaliation of Flanders on our woollens forced the admission of Flanders lace. Wool was the stronger interest, and the landlord interest. *It* must be protected at all costs.

Naturally, the unprotected French woollen industry, which mixed Spanish with English wool, thus getting a finer fabric, beat ours in all neutral markets; and after

every species of protective device the English woollen trade is found declaring itself in a ruined state and praying for more help. Protected weavers and protected silk-workers were chronically starving. In the middle of the century we have one observer remarking that "'tis felony in England to export wool: and yet they who furnish all the world with wool have least of the manufacturing of it among themselves." Smuggling settled that. In the last decade of the century we find so good a witness as Arthur Young declaring that "of all the great fabrics of England that of wool is least prosperous, and has been most complaining: . . . the policy has therefore failed." That policy was, be it remembered, the prohibition of all export of English wool and the heavy taxation of all imports of foreign woollen goods. Protection could go on further, and it failed.

Silk had done little better, having been in constant trouble. Cotton, by sheer economic force of cheapness, had forged ahead under all the repression engineered by the wool and silk interests; and when cotton in turn became powerful enough to secure some measures of protection, the effect was as nothing in comparison with the expansive power conferred by cheapness. The trade had to fight duties on raw material, in compensation for which it received a useless protection on manufactured imports; which were inevitably smuggled when they took attractive forms. Yet in the years from 1776 to 1799 the import of raw cotton rose in weight from 4 to 26 million lbs. Thus that held true of the English cotton trade which was recorded in the next generation of the French silk trade; its "unquestioned superiority" was due to the fact that of all the manufacturing interests of the country it was the least protected.

Need it be added that on the other hand the history of the unsuccessful trades was one of chronic misery for their unemployed hands? If anyone desires to follow up the ethical aspects of economics, let him compile an account of the forms of evil directly wrought in a hundred and fifty years by the activities of Protection in trade,

and he will have shaped a history that will convince him of the value of economic science to moral life.

Perhaps the darkest of all the chapters would be the long story of the economic oppression and alienation of Ireland. Hand in hand with the hideous anti-Catholic Penal Code of the seventeenth century went the economic penalization of Irishmen for being Irish—when in point of fact the sufferers were largely of English descent. In 1663 the amended Navigation Act excluded Ireland from all participation in the colonial trade, in which she had had a large carrying interest, thus killing her shipping. At the same time an embargo was laid on English imports of Irish fat cattle; and when lean cattle and dead meat came over instead these also were prohibited; sheep, swine, pork, bacon, mutton, butter, and cheese, being later placed in the same category.

Previously, the export of raw wool to foreign countries had been prohibited in Ireland as in England, and Irish wool further excluded from England. Thereupon Irish enterprise took up the woollen *manufacture* in hope of foreign trade; and in due course that was absolutely prohibited. Thus were food production, shipping and manufactures alike crushed down to the measure of the Irish home trade, in the supposed interest of the agriculture and shipping and manufactures of England; food was made dear in England to enrich landlords, and clothing dear to enrich manufacturers; and Ireland was set upon the long path of alienation of which we have seen the culmination in our own day. Such has been one of the supreme achievements of the spirit of Protection.

We need not dwell on the quicker course of the analogous policy pursued with the American colonies. They too were latterly handled mainly from the standpoint of class interests in England, or of the interests of English capitalists in the colonial trade, in disregard of what the mass of the colonists might reckon their natural rights. But for that systematic disregard, the Colonies would probably not have rebelled against a duty on tea: that was but the spark to loose powder.

Walpole had sought to conciliate the Colonies by furthering their commercial interests: the wisdom of his protectionist successors achieved the disruption of the Empire.

But let us not treat the earlier history of tariffism and freedom of trade as a matter of party or personal conflict between Whigs and Tories. Dudley North, the first to formulate with masterly precision the ideals of free trade, was a Tory; Hume, their first powerful and wholly competent exponent in detail, was a Tory likewise. When Bolingbroke after the French war sought to set up free trade with France, the Whigs resisted, raising the cry of the drain of bullion. When Walpole had reformed the rate-book and proposed to go further, Bolingbroke was one of his most violent opponents. When Pitt in 1786 effected some steps towards free trade with France, he was opposed by both Fox and Burke. And when, in the early part of the eighteenth century, the whole complicated issues of the conflict between the spirit of freedom and the spirit of restriction came to centre politically on the Corn Laws, the strife was fundamentally one between the landed and the manufacturing and popular interests, irrespective of other party propensities.

We see the play of error just as clearly in the economic history of other countries. In the seventeenth century Colbert in France made a great and systematic attempt to create and develop native industries and shipping, to exclude foreign competition, and in particular to curtail the commercial power and prosperity of Holland. Here he should have had an admirer in Adam Smith, who, however, is content to regard him as having been imposed upon by the merchants in the matter of import duties, and to point to the evil effects of his prevention of the export of corn. A great administrator, he achieved some remarkable results, chiefly in the creation of artistic manufactures; and it is possible to argue, as is sometimes done, that the great decline in French prosperity in the next generation really followed on the brutal and fatuous policy of Louvois, dragooning the Dutch, and

on the fatal measure of the Revocation of the Edict of Nantes, which drove out of France a vast multitude of her most industrious artisans and manufacturers. For these things, we are reminded, Colbert was not responsible. As a matter of fact, the first war with Holland, the French success in which led to the later combination against France and her ruinous defeat, arose out of Colbert's aggressive tariffism.

But when we eliminate as far as possible such political factors, the policy of Colbert can be seen to have been incapable of permanent success. Even while claiming to have created so much new employment by his subsidized manufactories, he had to confess constant resistance from the inertia of the people on whom he sought to impose a new way of life. All such subsidies added to the pressure of State taxation; and in creating costly industries he not only made it difficult for them to make profit, by checking the imports which might have paid for their export, he injured the greater native industries of agriculture and vine-growing, despite his aim to help them by lightening their taxation. Keeping out Dutch-borne goods by his high tariffs, he stopped the Dutch purchase and distribution of French wines. He would not face the fundamental fact of international trade, that you cannot sell without buying.

In the reign of Henri IV, at the beginning of the century, the great Sully had given a new prosperity to agriculture by giving agriculturists freedom of export of grain. It was the most important fiscal advance that had yet been made in modern Europe; and Richelieu, Sully's great successor, carried on his policy. Colbert adhered to the retrograde policy of Richelieu's successors, forbidding export. Sometimes, when he thought there would be an abundant harvest, he would relax the veto; anon he would impose it in order to be sure of food for the army. Yet he allowed imports of corn in bad seasons. He did not even allow free trade in corn between French provinces, though he had promoted the free passage of manufactures. Thus the agriculturist had no security,

and therefore cultivated feebly; and in the latter part of the century, between recurring famines and low prices, the state of the French peasantry was one of chronic and extreme misery. The rise of the school of Quesnay in the next century, with its doctrine that agriculture is the sole source of wealth, was, as Smith noted, the measure of reaction against the disastrous restraint of agriculture in the reign of Louis XIV; though at the very beginning of the century the traders of the towns had been protesting that the same policy had been deadly to commerce.<sup>1</sup>

Colbert, in fact, was blinded by the false economic theories which he found established in his day—for he certainly did not, as some have said, invent them. He believed in the monetary Balance of Trade like his contemporaries; and to apply the doctrine he set up a war of tariffs that precipitated a war of nations, which in the end brought France to political and economic ruin for a generation. Striving, by non-economic subsidies, to make a predominantly agricultural people a largely manufacturing people out of due time, he impoverished the agricultural life to make the other flourish; and the other could not flourish either.

Henri IV had anticipated him in the policy of creating new industries, a measure to which Sully had been disinclined, though he relieved trade of injurious imposts. But Henri had been heartily with Sully in his policy of permitting free export of grain; and on the basis of a healthy agriculture, with a sound and economical system of revenue and administration, the subsidizing of industries had done no harm. Colbert, crippling agriculture, wrought for harm even apart from the war policy which ensued; and France at the outset of the eighteenth century was less fortunately placed than she had been a century before, when Henri IV closed the wars of religion.

In England the agricultural life was long more prosperous; and Hallam has pointed to the middle quarters of the eighteenth century as the period in which the farm labourer was most well-to-do. The figures of wheat-

<sup>1</sup> See Bastable, *The Commerce of Nations*, 1892, p. 43.

prices and wages go to bear him out. But the gain was lost within the century. It was one of the last destructive triumphs of English protectionism to turn that state of affairs into one of acute and protracted distress for labour of every kind. Modern corn law legislation may be taken as beginning at the Restoration, when the old laws against exportation were repealed, and freedom was given when the price of wheat did not exceed 40s. the quarter. In 1663 the limit was raised to 48s. In 1670 the freedom was made unconditional, save for a nominal duty.

Had that been all, the private interest of the landed class would have coincided with the public interest, for the freedom to export meant increase of cultivation. But by the same Act of 1670 there was laid upon imported wheat a duty of 16s. when the home price did not exceed 53s., and a duty of 8s. when the price was between that and 80s. Thus when wheat was at something like famine price the price was to be kept up in the landlords' interest.

In the first year of William and Mary a new step was taken, by way of compensation to the landowners for having to pay land tax. A bounty was now established on all exportation of wheat, a course which secured that when wheat was abundant it should be rapidly carried off, thus raising the price at home and enabling the Dutch at all times, and the French in times of dearth, to buy English corn cheaper than the English did. Not till 1766, a year of dearth, did there begin a process of relief, culminating in 1773, when it was enacted by the North-Fox Government that the import duty should be reduced to the nominal figure of 6*d.* when wheat was at or above 48s., and that the bounty and the license of exportation should cease when it was as high as 44s. For that the credit must go to Lord North, not to Fox, who was no free-trader.

By this reversion to virtual free trade in corn, the agricultural interest was greatly benefited. We have the express finding of a Committee of the House of Commons in 1821, substantially representing the landed

interest, that the period before 1773 was one of "comparative stagnation in our agriculture," and that the period from 1773 to 1791 was the one of "most rapid growth and improvement." The explanation alike of the liberality of the Act and of the scope of the improvement seems to be that in 1773 there was also passed the general Act for Enclosures, which opened the period of maximum land enclosure. But with these facts in view, there could not well be a more decisive testimony to the effect of freedom in developing enterprise and efficiency in an industry. And the most deadly indictment of protectionism is that after that evidence it proceeded to inflict new misery on the mass of the English people for over half a century.

When Pitt made his treaty of partial free trade with France in 1786—against the opposition, be it remembered, of Burke and Fox—it must have seemed to hopeful spirits as if a new era of economic progress had opened. For the few years of its operation it meant a marked increase of English prosperity; and its continuance was counted on. But instead came the French Revolution; and in the instant reaction then set up, it became easy for the landed interest to secure in 1791 an Act imposing a prohibitory duty of 24*s.* 3*d.* on imported wheat when the price was under 50*s.*, with a reduction to 2*s.* 6*d.* when the price was between 50*s.* and 54*s.*, and to 6*d.* above the last figure. That was the prelude to the Corn Laws of evil memory, the arrest of real progress in English agriculture, the beginning of an era of new suffering for agricultural and town labourers alike.

Setting down to the state of war all the evil conditions between 1791 and 1815, the systematic pauperization of the land labourers which began in 1797, the frequently frightful prices of wheat (£6 per quarter at times), and the distress in other working classes, let us trace briefly the operation of the Corn Laws from their historic enactment after the Peace, in 1815, when, the price of corn having greatly fallen, it was decreed that foreign corn should not be allowed on the market till the



price of wheat had risen to 80s. per quarter, while at the same time the Income Tax of 10 per cent was abolished.

It was a time of panic. The great fall of wheat prices after 1813, when Napoleon's continental blockade broke down, had caused an unprecedented financial collapse among the then highly speculative country banks, which broke by scores, no fewer than 240 having stopped payment in the three years 1814-16; and men who had been rich in 1813 saw themselves beggared. The landlords saw their course clear. Some held that only the price of £6 per quarter would suffice to keep farming "remunerative"; but they consented to worry along at 80s. As a matter of fact they never got that price for more than three years together; and in 1821 they had to have a parliamentary inquiry into the distress caused by the low prices of abundant seasons. Of course they only tried a new arrangement.

For this determined and deliberate infliction of high food-prices on the nation at large the pleas were: (1) that food supply must be maintained, and that if we came to depend upon foreigners they might at any time starve us; (2) that agriculture in Ireland must at all costs be maintained; and (3) that manufactures were already very heavily protected. This last plea was pressed by, among others, Wilberforce. It was pointed out in reply that in many cases the duties on manufactures had no effect on prices; that manufacturers in general did not want them; and that foreign corn was always on offer when required.

On the main merits, the people of England petitioned against the Bill as they had never petitioned before, hundreds of thousands of signatures being instantly forthcoming in the large towns, the petitions protesting that its effect must be utterly disastrous to industry. In Westminster there was violent rioting; the Minister's house and that of Lord Eldon were sacked; and the military fired on the mob, killing two. In the House of Lords, where Grenville, a strong free-trader, led the opposition to the Bill, twelve peers, including two royal

dukes, signed a very able Protest, drawn up by him, condemning the measure on free-trade principles. But nothing could stay a House of Commons consisting mainly of landlords bent on untaxing themselves and taxing everyone else; and the measure was easily carried. Thus began the most unprosperous generation of English agriculture, which the Act was meant to help, and the most distressful for the nation at large since the Middle Ages.

The finding of the Committee of 1821 implies that agriculture had *not* been progressing or flourishing from 1791 onwards, when a new protection was accorded, making it unnecessary for the landlords to go on with improvements, which meant outlay of capital. Population, which increased from 6 to 9 millions in the second half of the century, outstripped agriculture, and from 1792 England ceased to be corn-exporting. In 1815 the country entered on a period of agricultural and other distress relatively much more grievous than anything we have experienced since 1918. Discharged soldiers were not in those days systematically provided for. Large expenditure went on, as after 1918, but not in relief of distress; though it is but fair to the middle and upper classes to say that they gave liberally to that end. The central source of distress was a set of laws which made all food ruinously dear, and at the same time checked all production and all international exchange.

Thus it came about that when the farmers introduced thrashing machines the miserably ill-paid labourers desperately rioted, smashing the machines and burning the ricks; even as the starving artisans smashed the manufacturing machinery which they felt was taking the costly bread from their mouths. The outcome was that in the thirty years through which the Corn Laws lasted, with some intervals of betterment due to good seasons and to the curtailments of restrictive duties on raw material and manufactured imports before the end came, the common people of Britain endured sufferings such as they have never known since.

Permanent pictures of the suffering and the de-civilization have been left to us by Carlyle in his *Chartism* and *Past and Present*, and by Macaulay in his speech on the Corn Laws in 1845, describing, as Carlyle had done, the extreme misery of 1841-2, when the Whigs had hopes of reducing the wheat duty to 8s. per quarter. Says Macaulay:

"So visible was the misery of the manufacturing towns that a man of sensibility could hardly bear to pass through them. Everywhere he found filth and nakedness, and plaintive voices, and wasted forms, and haggard faces. Politicians who had never been thought alarmists began to tremble for the very foundations of society. First the mills were put on short time. Then they ceased to work at all. Then went to pledge the scanty property of the artisan; first his little luxuries, then his comforts, then his necessaries. The hovels were stripped till they were as bare as the wigwam of a Dogribbed Indian."

Colonel Perronet Thompson, who had gone to see with his own eyes the condition of things in Bolton, wrote to the *London Sun*:

"Many sights it has been my chance to see. . . . But anything like the squalid misery, the slow, mouldering, putrefying death, by which the weak and the feeble of the working-classes are perishing here, it never befel my eyes to behold, nor my imagination to conceive."

And it seemed as if the doom were creeping upwards. Poor-rates in Lancashire towns mounted ten and twenty-fold, till the ratepayers in turn were impoverished, and could not pay.

That dreadful crisis slowly passed, and trade revived. The protectionists might hope to hold on to the system which admitted of such recoveries. But there was now on foot a cumulative pressure, particularly well worth study to-day, when we may be near a vital contest for the saving of Free Trade. If it is to be won, it will be with the fighting judgment instilled by the knowledge of how the great battle was won eighty years ago, and how much preparation, and how many accidents, went to the winning of it just then.

## IV

### THE REACTION AND THE COUNTER-THEORY

THE computative study of the evolution of opinion towards Free Trade is a fascinating but a difficult one. I say "the computative study," meaning the attempt to estimate forces and reactions, the causes of advance and retardation. Our historians, so commonly unstudious of the economic process, so often oblivious even of trade legislation, give us little help beyond noticing some of the ups and downs of prosperity; and the tracing of the history of economic doctrine goes on with small attempt at calculating the actual development of opinion. We are told rather of the emergence of books and ideas than of their measurable influence.

If it be asked when any considerable body of men in England began connectedly to reason on the problems of trade and commerce, with a notion of getting out of the hopeless circle of the bullionist Balance of Trade and the practice which that doctrine sustained, the answer would seem to be that the turning-point came near the middle of the eighteenth century. A number of scattered minds must previously have appreciated the arguments by which Sir William Petty had reduced to absurdity the protectionist doctrine, pointing out that if trade gained by imposts between every province, England ought to be cut up into new provinces for the fuller application of the principle. Dudley North seems to have reached no public; but the author of the treatise on the East India Trade must have stirred some by his eloquence. Mandeville, in his *Fable of the Bees*, not only stressed powerfully the vital function of division of labour in multiplying wealth, but gave many good reasons for freeing

instead of fettering trade. Walpole must have had some intelligent backers. Francis Hutcheson, as an Irishman, was naturally opposed to restraints on trade, and seems to have criticized the mercantilist system in his class lectures. Yet more, even supporters of the Balance delusion pointed to the harm wrought by many of the measures which sought to enforce the theory. But it is with David Hume that there begins a steady, a continuous, and a competent pressure of argument.

When, as still sometimes happens, men speak of Adam Smith as if he were the first to confute the developed bullionist doctrine, he is wrongly praised. In Hume's essays on *Money*, on *The Balance of Trade*, and on *The Jealousy of Trade*, published in 1752, but written before 1750, the current prejudices and delusions are confuted in the clearest way. About the same time, probably, Smith was profiting by intercourse with Oswald, a Scotch landlord and politician of enlarged views, who was also the friend of Hume; but though Smith may have been already a free-trader he was not Hume's instructor. Hume puts his case with confident ease; showing deductively how an increase in circulating money cannot possibly add to the national wealth; and how freedom of commerce cannot fail to do so. And he wound up with a firm and strong proclamation of the compound economic and moral truth that the prosperity of every trading country is or may be promoted through the prosperity of the others. His was a Political Economy in the full sense of the name. The important thing to realize is that this lucid and irrefutable teaching was not to receive effectual application for nearly a hundred years; and then only after an education of intense national suffering, resulting in a doctrine applied through an energetic and organized propaganda, at the hands of an exceptional combination of able men, under special circumstances.

There is an American fable of how an Interest and a Truth, moving in opposite directions, met on a narrow bridge, where they could not pass each other. The

Truth firmly and confidently called upon the Interest to lie down and let the Truth walk over it. The Interest, large and massive, stood unmoved, paying not the slightest attention. Soon the Truth, losing confidence, began to falter, and to suggest a compromise. The Interest stood unmoved, as before. At length the Truth, despairing of victory, lies down on the bridge, and the Interest walks over *it*. In actual fact, the Interest is not so silent as the fable makes out: it is rather given to out-bellowing the Truth; but the net facts are very much as the fable says.

Hume's essays were among the serious secular books of the higher order most widely read in the second half of the eighteenth century; and it may be suspected that his reasoning had an influence in the Acts of 1773—three years before the appearance of Smith's *Wealth of Nations*. But the lifting of corn subsidies and duties in 1773 was the *quid pro quo* for the Enclosure Act; and there is small evidence of any far-seeing economic thought in the business. Hume, in fact, appealed only to the thoughtful. His economic essays, further, are the product of his mind at its mature efficiency, and represent a much higher strain of sociological thinking than his political and other essays of ten years before. That is to say, the simple, sifted common sense of commercial economics was the achievement of the keenest mind of the eighteenth century, trained in philosophic analysis and applying its full powers to the economic problem.

Smith, who had already been working on concrete social science when Hume turned to it, brought to his famous book, issued twenty-four years later than Hume's, a great mass of commercial knowledge as well as much reading and thinking, all gathered up in the course of his lectures at Glasgow, where he met some enlightened merchants; and he made his effect by the mass and the concreteness of his performance as well as by the general force of his reasoning. In the sound treatment of Taxation he outwent Hume; and it was on that side that his influence was first brought practically to bear. In point

of co-ordination and scientific method his economic argument was indeed defective, and at points seriously fallacious. But it was, and remains, a widely interesting book for all who are interested in social and commercial evolution: and for thinking men it carried the day against the bulkier *Inquiry into the Principles of Political Economy* by Sir James Steuart, published in 1767. Some Germans and others have sought to find merit of a kind in Steuart, who laboriously and confusedly sought to elaborate a detailed science of economics on the basis of what was termed a moderate mercantilism. But it is really the most unreadable book, large or small, in the whole library of eighteenth-century economics. It is much more discursive and discontinuous than the too divagatory treatise of Smith; and it is dull in a way that Smith never is. Nothing is in that book ever made clear.

Thus the cause of Free Trade had a notable advantage in respect of the relative attractiveness of its exposition, first by Hume and next, on a large scale, by Smith, who had won a high status by his *Theory of Moral Sentiments*, without the handicap of Hume's disrepute for heresy. And still, though the book had an exceptional success, passing through thirteen editions in the course of twenty years, it worked no obvious change on the politico-economic life of the eighteenth century, then entered on its fourth quarter. It certainly influenced North as to taxation in 1777-78; and as certainly it later influenced the younger Pitt, though he had for his project of partial Free Trade with France, in 1786, the precedent of the smaller project of Bolingbroke, seventy-five years before. But we know that Smith himself had no expectation of seeing anything like Free Trade in his day, and indeed counted the ideal Utopian. In 1791, the year after his death, came the new duties on corn imports. Buckle could find no parliamentary mention of him before 1783, and that was made idly and ignorantly by Fox, who had not read the book, and never accepted its doctrines. Apart from the early and warm discipleship of Pitt, the

most hopeful note on the subject came from Smith's personal friend Sir William Pulteney, who in 1797, in Parliament, quoted approvingly the judgment of another that Smith "would persuade the present generation and govern the next."

But seventy years were to elapse between the issue of Smith's book and the decisive victory of Free Trade in England. If we reflect that it needed two such highly gifted and long trained minds as Hume's and Smith's, living in Scotland (where freedom of trade had been particularly welcome, though many old local tyrannies survived), to reach scientific views on the main issues, it becomes fairly clear that the rest of the nation could not reach enlightenment in their day. Smith's book, like Hume's, ostensibly found as much acceptance abroad as at home, having been translated into five European languages in his lifetime, with three versions in French and two in German. In 1813 we find Dugald Stewart expressing the belief that Smith's doctrine "has now become the prevailing creed of *thinking men* all over Europe." The wording is significant. The creed of thinking men and the creed of the prevailing interests were different things. Apart from his influence on North and Pitt, Smith had a greater effect in Germany in his generation than he had at home. A professor at Koenigsberg was lecturing on the *Wealth of Nations* in 1781.

When, indeed, the power of the selfish interests in England seems to be at its greatest, and is entering on its period of worst destructiveness, we have evidence of the spread of light among the better minds. Ricardo, penning his *Proposals for an Economical Currency* in 1816, remarks that "the reasoning by which the liberty of trade is supported is so powerful, that it is daily obtaining converts. It is with pleasure that I see the progress which this great principle is making amongst those whom we should have expected to cling the longest to old prejudices." That meant that Free Trade ideas were daily gaining ground in the City. And still thirty years



were to elapse before the nightmare of the Corn Laws was lifted.

Let us briefly note the stages. In 1820 there was drawn up by Thomas Tooke, who became later the historian of prices, a petition in the name of the merchants of London, putting tersely and clearly the harm done to all international trade, and the check laid on all progress in wealth and industry, by the system of prohibitive and burdensome import duties; and definitely affirming that all increase of imports would lead to a corresponding exportation, in which the most advantageous forms of production would be developed. Calmly moderate, the petition invites an inquiry, urging simply "a strong presumption that the distress which now so generally prevails is considerably aggravated" by the protective system. Soon there followed petitions from Glasgow, from Manchester, and from Birmingham, all declaring the industrial distress, the Birmingham petition alone disavowing any suggestion as to remedies.

Though the London petition said nothing about the Corn Laws, it was presumably as a result of that petition that the Committee which reported on Agriculture in 1821 was appointed, and, as we have noted, that Committee, composed of landed men, declared that agriculture had been most progressive in the period of eighteen years in which its protection had been at a minimum. But there was no result in Corn-Law legislation: it was in regard to free trade in commodities that there was a parliamentary response. Men of affairs remembered the prosperous state of things in the few years of partial free trade with France before the Revolution, and desired to see a return of it. Exports had heavily fallen off, and the fall was likely to continue. Baring, who presented the London petition, Robinson, Grenfell, Lords Liverpool and Lansdowne, were all more or less friendly; and in the years 1822-26 various steps were taken, chiefly at the hands of Huskisson, to relax the Navigation Acts and reduce the import duties on raw materials. Improvement followed in the trades concerned; but in 1826

came the great bank crash, followed by immense unemployment and fearful suffering; and save for short periods of consecutive good harvests, in which the people could get bread, there was to be no good life for England till Free Trade came.

For it soon became clear to intelligent traders and students that while the Corn Laws stood, there could be no effectual relief for manufactures. This was already made clear by Colonel Perronet Thompson in his *Catechism of the Corn Laws*, which, published in 1827, passed through eighteen editions in seven years, and was the first ably popular presentment of the case against Protection. In 1828 appeared McCulloch's edition of Adam Smith, with Appendices, in which the history and the harmfulness of the Corn Laws were carefully and calmly expounded. No less cogent was the argumentation of the letters contributed to the *Morning Chronicle* in 1833-34 by James Deacon Hume of the Board of Trade, which were reprinted in book form. J. D. Hume was the man who codified the Customs laws to the admiration of Huskisson, and he was Huskisson's right hand in his tariff reforms. It was under his influence that Huskisson in the last year of his life (1830) came to the view that the Corn Laws ought to be entirely repealed; and Hume became the instructor of Peel as he had been the instructor of Huskisson. And Joseph Hume had ably raised the issue in the House of Commons in 1826. Thus the ground truths of the problem had been freshly and powerfully set forth before even Charles Villiers took up the question in Parliament.

Curiously enough, one of the bugbears of the Protectionists, the dread of having to export gold in payment for imports, was found to be actually realized under their own system. From time to time, when the British harvest fell short, and the traders had not dared to buy foreign corn in advance, it was found that large exports of gold had to be made to the foreign markets, where by reason of our fiscal system there was no demand ready for British goods. Thus in 1838-39, the first of a

series of bad years, gold had to be sent out to such an extent that the reserve of the Bank of England fell from 10 millions in April 1838 to  $2\frac{1}{2}$  millions in October 1839,<sup>1</sup> thus setting up disadvantageous conditions for trade. Of course that could not go on; and when the buying of foreign corn had continued for four or five years a regular trade with the corn-supplying States had arisen, and the imports were paid for by exports.<sup>2</sup> That is what would have happened under Free Trade, without the preliminary convulsion of depleting the bank's gold reserve to the vanishing point. Corn-importation meant, as a standing thing, export of manufactures to pay for them; for corn would automatically come in in adjustment with the world price.

The vital principle involved was that there can be no large export of manufactures without corresponding imports; and what the manufacturers needed was not protection against imports of such goods as they made, for few of them now feared foreign competition, but foreign markets for their products. And while England \ virtually refused, at the cost of the misery of her masses, to buy food freely from abroad, the foreign countries which had the food to sell could not, and by their import duties declared they would not, buy English manufactures to any large extent. Furthermore, European countries soon began to undersell our manufacturers in what neutral markets there were. Not till that fundamental lesson was learned could there be any large expansion for English trade, or—what was equally vital—any stable prosperity for English agriculture.

For, as Cobden constantly insisted, agriculture, understood as the function and business of farmers, was never tolerably prosperous for more than two or three years together; and even that prosperity was a sinister offset to the sufferings of the mass of the people. The farmer prospered not by good harvests but by bad. Scarcity enriched him, by reason of the Corn Laws; plenty

<sup>1</sup> Ashworth, *Recollections of Cobden and the League*, 1876, p. 25.

<sup>2</sup> C. P. Villiers, *Free Trade Speeches*, ed. 1884, p. 303.

reduced him to bankruptcy. Committed by his own blind hopes to high rents, he could pay them only in the years of scarcity and famine prices—a state of things tending to create the frightful paradox that the worse the farmers cultivated in mass, the more they profited individually.

Knowing as they must have done that they thus thrived only on the general misfortune, they do not greatly incite sympathy on retrospect; but Cobden, the son of a farmer, saw in them men ensnared by ignorance, and set himself to make it clear to them that of all classes they had most to gain by free imports. Their chronic collapse, as measured by bankruptcies, was such that every few years there had to be an inquiry into agricultural distress, to be followed by new legislative devices, as futile as those which had failed before. Cobden sums up the history briefly in his speech in Parliament in 1843:

“What was the object of the Corn Law of 1815? Why, to keep up the price of wheat to 80s. per quarter. Did it ever produce that effect? No; for in 1822, seven years afterwards, wheat was sold as low as 42s.; and yet your agents and valuers valued to your tenants upon the calculation that they would get 80s. per quarter for their wheat. . . . And what was the consequence? Why, in 1822, the farmers were ruined by hundreds and thousands. One newspaper in Norwich contained 120 advertisements of the sale of [bankrupt] stock in one day. The farmers then came to you for another law. You appointed Committees, you went through the farce of inquiring into agricultural distress, and you passed another law, that of the year 1828, giving the sliding scale protection, to secure them 64s. per quarter for their wheat; and then again the red-tape men went about to value your farms, on the calculation that the price obtained would be 64s. Another seven years elapsed, and then wheat was selling at 36s. Then came general distress again [that is, among the farmers] and an application for a fresh Committee. You gave them another Act; and now I come to the Act passed in 1842 by the right honourable baronet; . . . and now the farmers are again distressed, and blame the right hon. baronet for deceiving them.”

In short, it was but the old story over again. Peel had thought, despite the past experience, that by a new scale he might secure for the farmer a price from 54s. to 58s.; this while admitting that legislation could give no such security.

"And now," said Cobden, "what is the price? 45*s.* or 46*s.* instead of 56*s.* . . . Now then, I say, what is this legislation for? . . . I will not say what the motives of its promoters have been; but the effect has been one continued juggle played off upon the farmers, in order to enable the landlords to obtain artificial rents. These being paid out of the farmer's capital, loss falls on him, while the landlords are enabled to profit by it, owing to the competition among tenants for farms."

It was an unanswerable indictment. Peel did not now pretend to rebut it. Gladstone, then his Vice-President of the Board of Trade, did not pretend to rebut it. But neither, in 1843, had any intention of repealing the Corn Laws, although in 1842 Peel, with Gladstone for his instrument, had taken the import duties off 750 articles. Gladstone afterwards said it was the very hardest job of the kind in his lifetime; but while it helped trade in detail it left the main trouble uncured. Whether Peel already saw the whole truth we cannot tell, though he had declared himself a whole-hearted free-trader as to everything but corn and sugar—the two subjects on which he felt himself politically tied. It is commonly understood that his eyes were opened by Cobden's demonstration of the fallacy of the Protectionist pretence that high bread prices meant high wages. I call it the Protectionist pretence, although as a matter of fact many of the Chartists, worked upon by Protectionists, used the same pretence to discredit the Free Trade cause, with the result that free-traders lost elections in towns when they were winning them in the counties. Artisans were found to be more gullible than farmers at that stage. But, as it happened, the fallacy in question had been thoroughly exposed by Charles Villiers in Parliament as early as 1839, and Peel must have heard the speech, or heard of it, since he replied to it.

When he finally carried free trade in corn, Peel paid a memorable tribute to Cobden for his persuasive advocacy. He paid no tribute to Villiers. Was it because Villiers had been on personally friendly terms with Disraeli, whom Peel had so much cause to dislike and distrust? Or was it simply that Cobden was the great protagonist

when Peel finally had to surrender? Or that he wished to make amends for one unhappy attack? The point is that Free Trade was finally carried by a set of concurrent compulsions against a powerful vested interest which had looked to Peel as its leader, and which he was profoundly reluctant to antagonize. The argument was dialectically won eight years before he gave in. How exactly was it that the cause finally triumphed? For this too is a question of "Political Economy."

There was much dispute on the subject a generation ago. It had been long said that in 1846 "the rain rained away the Corn Laws." It is the historic fact that it was in the face of a hopelessly bad season and of consequent famine in both Ireland and England that Peel finally gave way; and even then his Cabinet were most reluctant to follow him, two leading members refusing. It is then reasonable to say that even under such conditions Peel would not have surrendered unless there had been a very powerful and accumulated pressure of outside opinion.

Accordingly some free-traders have argued that the really decisive force was the campaign of education. But the whole truth was that to secure victory at that particular date there needed not only the factor of imminent famine but the factor of a Conservative premier of exceptional intelligence, and, on the whole, of exceptional conscientiousness. With other circumstances, Free Trade might have had to wait another ten years before the educational campaign triumphed. We know that Cobden suffered long and heavy loss through having assumed as early as 1835 that the Corn Laws would soon be repealed, and proceeded to buy pieces of land in various parts of Manchester in the expectation of a speedy rise in their value through building. For five-and-twenty years he had to pay a chief rent of £1,000 a year on a property that brought him nothing. Suffering thus for his own miscalculation, he saw to it that the case of the nation was not left to suffer through lack of effort.

Let us note the politico-economic facts of that propa-

ganda. It had to be paid for—a circumstance which I trust you will keep in view in regard to the problems of our own time. It had to be liberally paid for, and it had to be competently conducted—the last a thing largely guaranteed by the leadership of such men as Cobden and Villiers, the former to be attained only by strenuous effort. At that stage, precisely because the landed interest was so powerful, *its* propaganda was extremely incompetent, especially as carried on by an Association for the Protection of Native *Industry*, and a Central Association for the Protection of Agriculture—another concurring factor to be noted. Had it been conducted by men of dialectical ability, making use of the two great blunders of Adam Smith, the Two Capitals argument and the vindication of the Navigation Laws, the battle might have been greatly more difficult.

But all the debating ability was on the other side. Gross vituperation and threats of violence were the common protectionist weapons, though there were Associations of farmers for the maintenance of the Corn Laws long before the Anti-Corn-Law League. The Anti-Corn-Law Association was started at Manchester late in 1838 at a dinner of about a hundred business men invited to meet Dr. Bowring, a strong free-trader; subscriptions flowed in; and a young medical student, A. W. Paulton, was secured as a lecturer. Apart from a few politicians such as Villiers, he was the first platform missionary of Free Trade. Once established, the Association at its first public meeting in 1839 received subscriptions to the amount of £1,800 on the spot, and in another month the fund was over £6,000. A call went forth for Anti-Corn-Law Associations in every commercial town; and there was formed a League, of which Manchester was the central office; with another £5,000 for its special expenses. A group of competent lecturers was formed, and the political education of the people began.

The League had its reverses. In the House of Commons, a member from Manchester, seconding the address of the Whig Government in 1839, took the line

of declaring that though Free Trade was desirable there was a remarkable revival of prosperity without it; Peel and the Protectionists cheered; and, beyond stinging Peel, Villiers could do little to save the debate. The Whig Government gave no help. Melbourne took up the regulation position that foreign nations would not remove *their* import duties, and we must have "something to bargain with." Melbourne's private position, in fact, was that Free Trade was theoretically the right thing; but that the man who hoped to abolish the Corn Laws was mad. Evidently the work had to be done outside, though Joseph Hume in 1840 had obtained a Select Committee of inquiry. Apparently the Protectionists hoped that a policy of challenging import duties on manufactures would scare off the attack on the Corn Laws, though the leading free-traders among the manufacturers had emphatically declared that they did not want any protection in trade at all.

In 1841, over 800 lectures were delivered by the propagandists of the League. Frequently the Chartists, anticipating the procedure of labour revolutionaries of to-day, sought to break up Free Trade meetings; and several of their leaders argued that to repeal the Corn Laws would throw land out of cultivation. At Macclesfield, men in the silk trade fought the League; but Cobden and his comrades argued the issue out, and Macclesfield started its Anti-Corn-Law Association. In Parliament, the Whig Ministry of Russell proposed a fixed duty of 8s. per quarter on wheat in lieu of the sliding scale; and Baring, who had presented the Merchants' Petition of 1820, and was now Chancellor of the Exchequer, proposed reductions of timber duties and sugar duties. But the Canadian timber merchants, who represented English capital, were furious, though they were still to be allowed a heavy preference; and the Whigs were defeated on the sugar duties. Again Peel was called to power, to begin his march to the inevitable end. The "hungry 'Forties" were ahead of him; and now Cobden was in the House, a new political phenomenon.



From the first, Cobden counted greatly on winning through the votes of the farmers and their labourers. "Our salvation," he wrote in 1843, "will come from the rural districts." And nowhere was his success more remarkable. He addressed countless meetings of hostile farmers, all committed against him in advance, speaking and debating in market-places, from wagons, or at inn ordinaries, often for as many as four or six hours together; and never does he seem to have failed to win the majority by sheer exposition of the case in the light of their own interests. But we have to follow the finance. In 1842 the League held a bazaar at Manchester, and cleared £10,000. It was running a newspaper; it collected a new fund of £50,000. Tons of leaflets were distributed to all the electors on the registers, at a cost of £20,000. Let us not forget that over and above all this centrally organized work, much was done by volunteers. One man in Preston ran a halfpenny sheet of four quarto pages called *The Struggle*, writing, printing, and selling it himself. In two years he had circulated 1,100,000 copies.

But the League was the all-pervading force, penetrating everywhere. In 1842 we find Cobden writing to his brother: "From all that I hear, your people in Lancashire seem to be swayed to and fro like the grass by a summer's wind, without any particular progress." There was nothing for it but to create a current that could not be turned back, in Lancashire and all over the land. In that year, Villiers' motion in the House of Commons was rejected by a majority of 303. And in the midst of deep and universal distress, with hundreds of thousands of men unemployed, the petition for "The People's Charter" had three millions of signatures, a far greater figure than the Anti-Corn-Law League had ever approached. A Chartist attempt was made to set up a universal strike. It collapsed; but it added to the distress; and the Protectionists accused the League of having fomented it; this in the face of the fact that the Chartist leaders denounced the Leaguers as hypocrites, and enemies of the people.

The League fought all the harder. It had no press support in London; and the *Sun*, which admitted reports and letters, had to be paid £500 a year for that service. Several provincial journals would report meetings only if the League agreed to buy 1,000 copies. And still the League fought on. In September of 1843 it began its great monthly meetings in Covent Garden Theatre, precluding by reporting 9 million tracts and stamped papers distributed, and 650 lectures delivered, in nine months. Hitherto the League had poured in its petitions to Parliament. Now Cobden announced that the League would petition no more, but would rely on its propaganda; and the whole vast audience rose and cheered for minutes together. A new appeal for £100,000 was announced. Then, within a month, *The Times*, which had hitherto had nothing but vituperation for its work, proclaimed that the League was a "great fact," and paid hollow compliments to "the hardy strength of purpose, the indomitable will by which Englishmen working together for a great object are armed and animated," while still professing to regard the League as a public danger.

Then came a new test. The year 1844 opened with new signs of prosperity on the strength of an abundant harvest; and many protectionists, and not a few free-traders, held that the success of the cause had become more remote, though the farmers were suffering from *their* low prices. The League did but work still the harder, announcing in January that henceforth the Covent Garden meetings would be held weekly instead of monthly. A new policy was begun, that of inducing men to qualify as forty-shilling freeholders by becoming cottage-owners. The balance of the electorate was to be changed in that fashion: and tens of thousands of votes were being thus created for a struggle that might last for many years. The year 1845 opened on the same trade position; and the League leaders found their followers slackening. As Morley summed up: "So long as times were good, the Ministers were safe, and the

League was powerless." But the leaders did not relax for a moment. They now determined to fight with a new energy in Parliament in view of the decline of zeal outside.

It was in 1845 that Cobden made in the House of Commons the great speech in which he went anew over the whole ground, handling every issue, defeating every protectionist plea by unanswerable argument, showing from every point of view the injury inflicted by the Corn Laws on farmers in particular, till Peel crumpled up his notes and said to Sidney Herbert, "*You* must answer this, for *I* cannot." And at the end of 1845, though the £100,000 asked-for a year before had been more than made up by a London bazaar which yielded £25,000, a meeting was held at Manchester in which it was resolved to raise a new fund of £250,000; and within a couple of hours £60,000 was subscribed on the spot. Soon the sum promised had risen to £150,000.

But the end was now near. Peel's resignation, when his Cabinet would not support him, even in the face of a potato famine in Ireland and a wretched harvest in England, gave the chance of repealing the Corn Laws to the Whigs, Russell having declared himself ready to propose the measure; but other grounds of difference made it impossible for Russell to form a Cabinet; and Peel returned, resolved to complete his work, at the cost of losing the goodwill of the bulk of the party he had so long and so skilfully led. In 1846 came his historic act; the Corn Laws were heavily cut down to meet the immediate emergency, and their date of cessation fixed for 1849. The League took only a percentage of the first instalments of the proposed fund of £250,000, and promptly wound itself up.

Can there be any doubt that without that strenuous and ever-intensifying campaign of eight years, with that ever-increasing expenditure, with the proved power of yet further increase, the Corn Laws would have lasted many years longer? As it was, Cobden's health was broken by his toils, and his own fortunes were ruined by

reason of his concentration on the public cause. Without him, new men *might* have arisen; but so far there has been no second Cobden.

It may be put as a point in the political economy of Free Trade that, having to overcome an immensely powerful vested interest, the cause could succeed only by paying for propaganda on a scale never before seen in English politics, and approached only in the sums spent on party election contests in which wealthy Whigs and Tories had fought for party triumphs. There emerges the economic inference that when moneyed interests combine to overthrow Free Trade, as moneyed interests in other countries have overthrown it and keep it overthrown, only some proportionate expenditure, in a campaign as earnest as of the 'thirties and 'forties of last century, will save it in this country.

Even the victory of 1850 might have been in vain if the champions of Free Trade had not been swift to mobilize at the rise of a new menace. In 1852, when the Russell Ministry was defeated on its Militia Bill by a coalition of Palmerstonians with the Tory protectionists, Lord Derby became Premier, and formed "a ministry which was Protectionist to the backbone." At once the Committee of the League, which at its dissolution had provided for such an emergency, was called together, and prepared for action. Derby in the Lords made a definite pronouncement, avowing his intentions in the matter of taxing corn; and Cobden described his administration as being "committed by every pledge that can bind the honour of public men to attempt to re-impose a duty on corn"; and forthwith the League was re-constituted. Its very first step was to open a new fund; and £25,000 was subscribed at the meeting which passed the resolution. Within a month, the sum had reached £70,000.

The Government then decided to effect, after a few months, the dissolution which Derby had declared to be necessary for a re-establishment of the Corn Laws; and when the election took place in July, the result,

largely determined by the renewed activities of the League, was a large majority for Free Trade. The great reform was saved. And still the sinister interests which craved its overthrow were lying in wait to drag it down, if any chance should ever offer.

If this power for harm is not made sufficiently clear by the record of the fight over the Corn Laws, the proposition may be further illustrated by the history of the import duties on timber. We have seen that as regards the great staple exporting trades there had been no serious resistance after 1820. Only some minor trades made any stand for their own protection; and though Cobden declared that he had less trouble with the farmers than on the side of manufactures, he always had with him the cotton manufacturers in the declaration that *they* wanted no protection for themselves. But the import duties on timber were as hard to get off as the duties on corn; and in their degree they were as impolitic and as indefensible from the point of view of the national interest.

It was in the imperial interest that they were professedly maintained. Before the French revolutionary wars, the import duties on imported timber were only 6*s.* 8*d.* per regulation load. Such taxation was simply for revenue: home production of timber was so small that it did not count. At the beginning of the war, the duty on Baltic timber was 6*s.* 8*d.* a load of fifty cubic feet, which tax was gradually raised till in 1806 it was 27*s.* 2*d.* But in 1810-13, as a war measure, Napoleon being then in great measure influential in the affairs of the Baltic States, a duty rising from 54*s.* to 65*s.* per load was laid on Baltic timber, while so late as 1821 one of only 10*s.* was put upon Canadian timber, which had been free up to 1798, and only slightly taxed during the war—one of the early samples of preferential duties. At that stage, however, there was no pretence of building up the Empire by new preferential duties. The tax of 1811 was imposed as a war measure, and so accepted.

At once, of course, there was created a new vested

interest, or rather two—the interest of the British capitalists who resorted to lumbering in Canada, and the interests of the British shipowners who carried the timber freights *from* Canada. When, in 1835, the duty on Baltic timber stood at 55*s.*, and that on Canadian at 10*s.*, the capitalist producer of the latter pocketed, in respect of the preference, 45*s.* on every load of fifty cubic feet, save in so far as he might have to take a rather lower price than that given for the Baltic timber, which for ship-building purposes was the better. The loss to the revenue through the protection was reckoned in 1835 at £1,350,000, nearly the total figure collected on all the importation; and the dearness of the Baltic timber was the cause of much use of the inferior colonial timber in shipbuilding, which meant worse ships.

This extortion had come to be justified, in the eyes of the legislature, by the pretext that the colonial preference was a means of building up the empire by creating a lucrative trade for settlers in Canada. The pretence was simply false. Not one Canadian fir-tree in five hundred imported into England came from the land of a settler. The settlers who sanely sought their own interest burned the timber on their clearings, making the ash a manure. Those who sought to make a living out of lumbering generally fell into the hands of the capitalists who lent them money on mortgage, and who in the end generally got the holding. The great mass of the traded timber was cut down by lumbermen employed by the British capitalists concerned in and enriched by the trade.

The fraudulent pretences of the capitalists were seen through only by the well-informed; but one might suppose that the pleas of the shipowners concerned in the matter would have been recognized as ridiculous by all. They argued, in dead seriousness, that the withdrawal of the preference would be to them an unjustifiable injury, inasmuch as they were able to charge much higher freights on the long voyage from Canada than they could on the short voyage from the Baltic. And that passed

as a valid argument with protectionist politicians who had imposed the heavy timber-duty originally as a war measure pure and simple. When it was suggested that the shipowners ought to petition for a law compelling coal to be carried to London from Newcastle round by the north of Scotland, down the west of the whole Island, and then east through the English Channel and round by Dover and Margate, they seem to have detected the point of *that* argument; but they stuck all the same to their own. And the upshot was that though the timber duties were successively modified throughout the 'forties, they survived 1846 and were abolished only in 1860.

But that is not the whole story. While the Canadian preference was set up first as a war measure and maintained in the interest of British capitalists, they gradually constituted a nominal Canadian interest. It was certainly not the true interest of the Canadian population. A modern student, Professor Adam Short of Kingston University, in a study on *Imperial Preferential Trade from a Canadian Point of View* (1903), sums up that the trade as a whole was a positive injury to Canada.

"Large forest areas were destroyed, fires raged among their ruins, genuine settlement was retarded, and the only gainers were the shanty keepers and a few farmers who supplied the lumbermen with drink, salt meat, and bread. Those who made fortunes out of the timber trade, if not resident in England when engaged in it, actually went home to spend their money when they had gained enough to live comfortably."<sup>1</sup>

But Canada also had a preference on wheat; and when that had perforce to be taken away—being indeed of small value to Canadian farmers—it was thought expedient to leave some preference on timber, in the interest of imperial goodwill. In 1840 the Assembly of Upper Canada declared in a petition to the Crown that a preference of 5s. on corn was of very little use to them. In May, 1846, the Legislative Assembly, in another petition, made this announcement:

"It is much to be feared that should the inhabitants of Canada, from the withdrawal of all protection of their staple products, find that they

<sup>1</sup> Summary by C. H. Chomley, *Protection in Canada and Australia*, 1904, p. 3.

cannot successfully compete with their neighbours of the United States in the only market open to them, they will naturally and of necessity begin to doubt whether remaining a portion of the British Empire will be of that paramount advantage which they had hitherto found it to be."

On February 6, 1846, the Canadian politician Buchanan wrote thus to *The Times*:

"Any hint from England of a desire for separation will be cheerfully responded to by the people of Canada, who will be writhing under the feeling that England has dishonourably broken the promise of protection to Canadian wheat and lumber made by every Ministry from the timber panic of 1806 downward; and will have got their eyes open to the fact that . . . there remains no longer any but the slightest bond of interest between Canada and the Mother-country. . . ."

There we partly realize the cost and the fruits of Colonial Preference. A hardly veiled threat of withdrawal from the Empire, to join the United States, is the response to the abolition of the Corn Laws for the salvation of the vast mass of the people of the mother-country. We can well believe the patriotic Canadians who tell us that the threat did not come from the Canadian people. It came from the politicians who played the game of the capitalist interests. And the Home Government knew that those capitalists and politicians were perfectly capable of sowing sedition throughout Canada. There had been a rebellion of French Canadians in the previous decade. There might now be engineered a secession of all Canada, when the loyalists included capitalists who put their pockets above every other interest.

And so, under such corrupt pressure, the timber duties, albeit reduced, had to stand for another fourteen years, enhancing the cost of a hundred enterprises in the mother-country. Peel had again and again quoted, publicly and privately, the dictum of James Deacon Hume, that free timber was vitally needed to complete our advantages through coal and iron. Hume further declared that the timber duties were next in importance to the corn duties as burdens to be repealed. Peel wanted to repeal them. In 1846 he dared not: he could only reduce them by



little more than half. And indeed he had to leave not only what remained of the Navigation Laws—the removal of which was fiercely resisted in 1849—but duties on foods such as butter and cheese, and the differential duties on sugar. In 1853 Gladstone had still import duties on 133 articles to reduce or repeal. In 1849, Disraeli declared that if preferences were not restored to Canada, that dominion would be lost to the British Crown; and he cried woe to the statesman who should be responsible. The timber duties had to be left standing till 1860; and then there was outcry over the repeal.

Our protectionist economic historian, the Rev. Dr. Cunningham,<sup>1</sup> tells us in this connection that, "There was ample excuse for the feeling, which spread through the Colonies, that their interests and sentiments *were entirely ignored*; and their loyalty was in consequence subjected to a very severe strain." Thus can economic history be written. We have seen what a competent Canadian student has written as to the essentially evil effect on Canada, at once moral and economic, of the whole preferential trade in timber. Let us note further what a British expert of that time, concerned for economic and historic fact and not for political dogma, reports as to the same preferential timber trade: "Its only use [is] to afford employment to a number of old and worn-out ships, which it would be more advantageous to the country to buy, and then break them up and sell their materials for fuel, than it would be to continue the present [1851] modified system."<sup>2</sup>

And this at a period, be it remembered, when, by the testimony of the same expert, "the greater part of our merchant vessels [are] the most unsightly in Europe, and, what is of far more consequence, they sail badly, and are very unmanageable in bad weather and on a lee-shore; for this last reason, the loss of life that has been occasioned has been exceedingly great."<sup>3</sup> The protectionist his-

<sup>1</sup> *Growth of English Industry and Commerce*, iii, 857.

<sup>2</sup> Porter, *Progress of the Nation*, ed. 1851, p. 376.

<sup>3</sup> *Id.*, pp. 458-9.

torian, championing a corrupt interest, and insulting the populations of the Colonies by imputing to them in mass the meanest motives in their relations with the mother-country, has no thought of the effects of his favourite system on the mass life of his own land, where dear timber was a manifold evil.

To say that the interests of the Canadian colonists were entirely ignored under free trade is to falsify history in a fashion which invites the suggestion that some respect should be shown to ethical principle there. The peoples of the Colonies were left with an absolutely free entrance for their shipping and their goods in British ports, a freedom which in its completeness no other State allowed them. The pretence that they in mass were injured, when a number of mainly British capitalists and ship-owners were deprived of an iniquitous profit, is a sample of what the protectionist temper achieves in the way of fabricating ill-will on earth. It is from the very men who proclaim the ideal of imperial unity that there come these unscrupulous incentives to disruption. To-day, the British market for Canadian corn is for the agriculturists of Canada a source of profit—in so far as their tariffs will let them make any—immeasurably greater and wholesomer than the old preference on timber.

I have thus dwelt on the politico-economic history of the long battle for Free Trade in the nineteenth century because I do not think it is realized how at bottom the maintenance of protection is itself an economic fact. All the motives involved, of course, are not economic in the strict sense. When a Peel and a Gladstone go on maintaining an economically evil and destructive machinery, which they know in their hearts to be vicious, because it is determinedly backed by a great interest, we do not think of them as acting in their own economic interest. When Disraeli, who in 1842 was proudly claiming for the Tory party that it had been the inventor of Free Trade, decided in 1846 to denounce Peel as a traitor for adopting the principle on a vital point, we realize that Disraeli was thinking first and last of his

career, his opportunity. He too was by private conviction a Free-trader.

But where statesmen are thus swayed to questionable courses by the pressures of party, newspapers in a large percentage of cases can hardly be regarded as otherwise than simply mercenary in such matters. A majority, probably, always deliberately cater for the support of the classes in which popularity will best pay them. On that ground *The Times*, for instance, trimmed its course throughout the struggle for Free Trade, throwing its whole weight against reform, up to the last moment, when it turned because the Government was turning. I never could assent to Lord Morley's rejection of Cobden's charge of corruption against its later policy, about the time when Delane dishonestly and dishonourably charged Bright and Cobden with advocating the confiscation of the property of the rich for division among the poor. Morley himself says in so many words that "the newspaper taught the conventional prejudices of those who paid for it." If that is not a "corrupt" course, the word can have no meaning whatever in regard to political propaganda.

But let us simply record the economic fact. Any large moneyed interest can rely on the spontaneous support of a powerful section of the press for any course that the interest desires, and some journalists will stick at no calumny in that propaganda. By such support, protection has been built up and maintained in the British Dominions, in the United States, and in other countries. Only by an immensely energetic and sustained effort, led by exceptional men who were born fighters, was the old protective system overthrown in England in the last century. And in our own time, after a series of transitory efforts at revival, we have seen a moneyed interest powerfully supporting, during a period of ten or twelve years, a systematic and protracted campaign for a revival of protection, paying vastly for propaganda and securing anew the support of a time-serving press. Interrupted by the war, that effort has been resumed; and though,

defeated on a frontal attack, it is being conducted by way of flank movements, there are many grounds for surmising that ere long it will be revived in full force.

Whether or not the effort will succeed I will not pretend to predict; but it seems a safe economic proposition that unless a proportional energy is infused into the propaganda in defence of Free Trade, the destructive effort, financed by all the sinister interests, will succeed. The economic education of the people has fallen behind: the new generation is relatively ill-found, ill-informed, ill-prepared to deal with a complex problem to which it will come under newly perplexing conditions. And the female electorate is in the mass at least as ill-prepared as the male.

A generation ago, English public opinion was so completely converted to Free Trade that the doctrine passed for a platitude, only eccentrics dissenting. Some of the most competent defenders, forty or fifty years ago, were Conservatives. Northcote was as much a Free-trader as Gladstone. And yet within five years of Gladstone's death, one of his former lieutenants, who had figured as a zealous Free-trader, was leading a "raging, tearing propaganda" for the subversion of the system which had multiplied the wealth of Britain to a degree undreamt of in Gladstone's youth, and this in the teeth of all the accredited economic science of the time.

When we have taken note, in detail, of the evidence of that expansion, and of the completeness of the demonstration that it was substantially due to Free Trade, we shall realize the potency of the forces of perversion which flout such evidence, and offer in the place of a body of scientific argument, statistically backed, a series of propositions contradictory to the verge of lunacy, resting logically on nothing but grossly perverted statistics and spurious inferences, but bottomed physically on conviction of self-interest strong enough to hire a brigade of propagandists to operate on the mind of the unintelligent mass.

## V

### THE PRACTICAL DISCOVERIES OF FREE TRADE

WHAT we may term discoveries of Free Trade had been made long before the nineteenth century. In the sixteenth and seventeenth the then unparalleled commercial success of the Dutch had been freely recognized on all sides. But that was not an unprecedented kind of illustration of the enriching powers of trade. The spectacle of the seafaring city, acquiring wealth by fulfilling the needs of other lands for each other's produce, is presented in written history by Carthage, by Tyre and Sidon, and by Rhodes and Alexandria, before Rome had applied the other ideal of acquiring wealth by conquest, by tribute, by extortion—the process which in the end brought the whole fabric of Mediterranean civilization to ruin, leaving only the rigid atavism of Byzantium to stand for a thousand years, till it in turn was struck down by the Turks.

But when, after an age of rebarbarization, communities of self-governing men began to build up new polities in the light of the half-buried tradition, the old impulses of commerce re-asserted themselves; and among the republics of medieval Italy, as among the Greek cities of Old Italy before the supremacy of Rome, the simple adventure of trade wrought new advances in wealth, with a new widening of outlook. It is true that the trading cities of antiquity had not been the most shining lights of civilization. Neither Corinth nor Tyre, neither Carthage nor Rhodes, yielded any such fruit of beauty and wisdom for the human heritage as was left by Athens. The conditions of culture life are not identical with those of the life of commerce. But when, after the rise and

eclipse of the fortunes of Amalfi and Pisa and Genoa, the older polity of Venice grew to its height, the world saw a spectacle of wealth in alliance with culture, commerce hand in hand with art, trade playing a foremost part in the world-revival which we call the Renaissance.

Economically speaking, Venice is the prototype of Holland. In both cases we start with sheer poverty; men living by the sea on islands and marshes with no possibility of wealth save by trade; refugees from barbarian conquest building up a new life that the conquerors could not reach. And so, as early as the reign of Justinian, we find the Venetians seeking their livelihood by renewing that commerce between East and West which had well-nigh disappeared after the fall of ruling Rome. Amalfi and Pisa and Genoa took up the work centuries later; but Venice, having no basis save commerce whereby to live, grew from strength to strength. All the Italian republics alike drew industrial and commercial energy from their independence, even while they prepared their downfall by their inability so to learn the vital lessons of politics as to create a general polity of peace. And among these, sea-born Venice became the supreme trader.

On commerce followed manufactures, notably in glass-work, cloth of gold, leather, all carried on under a rigorous State supervision. But, this being accompanied by an equally rigorous veto on all imports of foreign manufactures of the same sort, there was no expansion or improvement of industry on the scale of the commerce. Skilled workmen were prohibited from leaving Venice; and if they persisted, their relatives were punished for them. In such laws we can read in advance the fate of the Venetian State. As soon as rival seafaring States, with much greater natural resources, took up the enterprise of world trade, Venice perforce sank to an unprogressive status.

Holland in her turn outwent the Venetian lead. Already in Cæsar's time the Batavians were known as fishermen; and on that seafaring basis trade ultimately

followed. In the twelfth and thirteenth centuries we find several Dutch towns among the members of the Hanseatic League; and Flanders, with agriculture behind it, developed great cloth-making industries; while Holland, reaping mainly the harvest of the sea, sold salted fish to a Christendom that had to substitute fish for flesh-meat on two days of the week, and for forty days in Lent. Fish-salting was practised in antiquity; and the art can hardly have been lost; but a Dutchman made some important improvement in the fourteenth century, and Holland grew rich on the results.

Practising the system of low customs, which had been normal in antiquity, and was probably the basis of the prosperity of Alexandria from its outset, the Dutch attracted foreign shipping while they expanded their own; and being first and foremost carriers for the surrounding countries they bought with their exports whatsoever they could sell elsewhere. In the latter part of the fifteenth century, Philip of Burgundy describes them to the Pope as carrying on commerce in every sea. Unable to grow corn enough to feed themselves, or timber enough to build their ships, they bought both, and many other things, in every good market, and sold wherever they could. In Raleigh's time, Amsterdam was the great granary of Northern Europe; and the authorities never placed any restriction on export even in times of high prices, knowing that they could buy at need wherever corn happened to be plentiful.

At that stage, Holland was practically the one free-trading country in Europe; and, proportionally to area and population, visibly the richest. Her rulers did indeed prohibit the import of foreigners' fish; but this would seem to have been a matter of police, to prevent brawls, rather than of any theory of protection; for they had no need to fear being undersold in their own or any other near market. And it was on the basis of the wealth thus acquired by sheer trade, sheer carrying and exchanging of commodities, that the United Provinces were able to finance their chronic struggle of eighty years with the

mighty power of Spain, the mere gold producer, a struggle which left them stronger than ever, with Spain exhausted. The small free-trading State had proved stronger than the far larger power which had ranked as the strongest in Europe. Certainly it needed the unmatched leadership of William the Silent, and the great statesmanship of John van Olden Barneveldt, to hold together long enough a body of mutually jealous States all claiming their separate rights; but even they could not have achieved what they did without that living financial basis.

When, through the unfailing impolicy of Spain, the commerce of ruined Antwerp and the industry of Ghent reverted to Holland, the republic entered on a new period of expansion in the New World and in the East; and, whereas the ingoing and outgoing shipping of Antwerp in 1560 was considered prodigious in that it amounted in a day to 500, nearly all foreign, fifty years later there sailed from Amsterdam in three days, on the eastward trade alone, 800 or 900 ships and 1,500 herring boats. In the days of Charles II, when the whole shipping of England carried only 27,000 mariners, a figure no higher than that of Venice at her height, Holland had a mercantile marine of 10,000 sail, manned by 168,000 men.

In that age, accordingly, many Englishmen, as Sir William Petty records, magnified the Hollanders "as if they were more, and all other nations less, than men, as to the matters of trade and policy"; and even he regarded their natural and acquired advantages as insuperable. And yet the trading republic had already succumbed in part to the impulse of protection, and had made a monopoly of its East Indian trade, reserving to a small body of capitalists distributed through the Provinces the high dividends earned on a deliberately restricted importation of spices. The late Professor Seeley put in circulation the astonishing proposition that the war with Spain threw open to Holland's attack the Spanish possessions in the New World, and that "by conquest she made herself an empire, and this empire



made her rich." Only an imperialist presupposition could generate such a wildly erroneous statement.

Holland was rich before she sought empire in Brazil; and her hold on Brazil lasted only from 1621 to 1654. Even her trade with the East Indies, being rigidly monopolized, was kept very small in quantity. As Keymor declared in 1601, more wealth was produced by her fisheries "in one year than the King of Spain hath in four years out of the Indies"; and the main sources of Dutch wealth were (1) those fisheries, (2) the immense carrying trade, and (3) the general commerce which that involved. But when the neighbouring nations, possessed of much greater natural resources, began to develop on similar lines and do much of their own carrying trade which the Dutch had done for them, the relative superiority of Holland began to dwindle; and when that happened, the always heavy pressure of the national debt incurred in the war with Spain became an appreciable source of relative extra cost, hampering enterprise. Smith reports that in his time the taxes on food, levied not for protection but for revenue, were "said to have ruined the greater part of the manufactures of Holland."<sup>1</sup>

Yet Smith testified that even when her supremacy had passed away, Holland remained the most prosperous country in Europe in proportion to population. Our Navigation Acts, as aforesaid, had really extended Dutch trade and navigation and curtailed our own; and not till Walpole had greatly reduced British import and export duties, and our trade expanded in consequence, did the Dutch feel any symptoms of decline. That decline never became a ruin; and might have been largely averted by resort to freedom instead of monopoly in the trade with the East. To-day, still free-trading, Holland remains the most prosperous of the smaller States of Europe.

In the eighteenth century, up to Smith's day, it was never denied that Holland had done remarkably well under its general system of free trade. The English

<sup>1</sup> B.V., Ch. II, Art. 4.

testimonies had been piled up for a hundred and fifty years. Raleigh noted how Genoa was the greatest trading port in Italy while she levied low customs, and lost her trade when she raised them to 21 per cent.; and how Holland, with the lowest rate of customs in Europe, had from those small customs twice as much revenue as England had from her high duties, in addition to the immense superiority of her commerce. Smith pointed out how "Curaçoa and Eustatia, the two principal islands belonging to the Dutch, are free ports, open to the ships of all nations; and this freedom in the midst of better colonies whose ports are open to those of one nation [only], has been the great cause of the prosperity of those two barren islands."

Such data had counted for nothing with English protectionists, whose case turned always on the claim that agriculture was the vital thing; that we must be able to feed ourselves in time of war; and that dear food meant high wages for everybody—this when home agriculture was chronically failing to feed the nation, and myriads were chronically starving in consequence of high food prices which demonstrably lowered their wages and threw them idle by limiting the general power of purchasing manufactures. Not many years of the new half-century of Free Trade had passed before such argumentation had been reduced to silence by the sheer pressure of facts.

The restraints on navigation, we saw, lasted till 1849; and their repeal was the occasion of a volley of predictions of national ruin, in which the Shipowners' Society roared loudest. "None but Yankees, Swedes, Danes, and Norwegian sailors would be found in our ports," they declared in a published manifesto. Let us note the relevant statistics. In 1801 British shipping stood at 1,970,000 tons. By 1821 it had increased only to 2,355,000; and by 1841 only to 2,935,000—a gain of less than one million of tonnage in forty years. In 1851 it stood at 3,662,000—a gain of over 600,000 tons in ten years; and in 1861 at 4,806,000, a gain, in *ten* years

of free trade, of 1,100,000 tons as against an advance of less than a million in forty years of protection. If there be any doubt whether this new upward leap is mainly assignable to free trade, let us note the fact, brought out by a Parliamentary Committee in 1821, that under Protection the cost of building a ship of 514 tons in England, under the burden of the preferential timber duties, was £9,130, while in Prussia it was £5,123, and in Norway or Sweden £4,342. That is to say, in round figures, English shipbuilding was more than twice as costly as Scandinavian; and, English victualling being thrice as costly as that of the Baltic, English shipping was hopelessly handicapped. Some decrease in the burden there was by 1836; but the decisive turn came only after the heavy reductions of the timber and rope duties, coupled with the new demand for export and import carriage.

When, further, we note that the expansion goes on at the general rate of a million or more per decade after 1861, when steam was rapidly replacing sail, thus greatly increasing the amount of work done per ship-ton, the inference is irresistible. It is probably far within the mark to say that the 10 million tonnage of the end of the nineteenth century represented a twenty-fold carrying power over the two million tonnage of the beginning of the century. No such expansion of commerce, on such a scale, had ever been witnessed in human history.

Let us now compare the progress of the United States, which possessed in such abundance the materials for building alike wooden and iron ships. In 1840 their tonnage was just under 900,000 when that of Britain was 2.9 millions, theirs being thus 32 per cent. of ours. By 1850 they had narrowed the lead considerably; and in 1860 their tonnage was actually 54 per cent. of ours—2,546,000 to our 4,658,000. And their ships were the best-built in the world, by the admission of the British owners who in those days bought from them the famous China clippers of the tea trade. That this progress should be stopped by the Civil War was inevitable. But after the Civil War there emerged a new economic factor.

Iron had begun to take the place of wood in shipbuilding; and now the economic advantage of the Americans began to be cancelled by their import duties on iron. To protect their iron industry they simply killed their shipping.

In 1870 the British ocean-going tonnage stood at 5,690,000; that of the United States at 1,516,000. And whereas the leeway caused by the Civil War could have been overtaken if the States had not handicapped themselves by the heavy tariffs imposed to pay for the war, there was only a further decline under Protection. At the end of the century the American figures for ocean-going shipping stood at only 826,000 tons. We should remember, indeed, that the coastal, lake, and river navigation of the States, which is absolutely reserved to native craft, represents a large aggregate amount of tonnage. But their register, it should be added, includes everything above five tons, including dredging-machines and ferry-boats—a census method which would add considerably to the British figures if applied to them. In respect of ocean-going shipping, on the other hand, the figures were tending to the vanishing point; and it would appear that the subsidized revival necessitated by the World War is now falling away in the same fashion, for the same reasons.

The demonstration repeats itself when we study the history of the mercantile marine of France. French shipbuilding in the eighteenth century was admittedly better than ours, alike for fighting and trading ships. Nelson's best ships, we are told, were those he had captured from the French. In the nineteenth century, after the restoration of peace, the French expansion utterly failed to approach the British. This of course does not mean absence of progress in wealth and industry. France remained substantially self-feeding, and she had a land trade. But she expressly strove, in the last generation, to expand her mercantile marine by a policy of bounties. As late as the 'nineties, those were applied to the building of sailing ships, so that from 1892 to 1902 French *sail* tonnage

increased from 407,000 to 669,000 tons, while British decreased from over 3,000,000 to under 2,000,000. In the same period, French *steam* tonnage increased only from 499,000 to 549,000, while the British *increase* was over 2,500,000. Then a new Bounty Law was passed to help steam; but this was so hampered by the conditions, the new tonnage ruining the old, that the result was general loss. In sum, at the end of the nineteenth century, France had only one ton of steam shipping to every 71 inhabitants, while Britain had one ton to every five; and free-trading Holland had one ton to every fifteen.

It should be added, in further illustration of the ludicrous falsity of the predictions that English shipping must decay after the repeal of the Navigation Acts, that in the Free Trade period British shipping has actually increased considerably more than British sea-borne trade, the latter having increased in tonnage from 1853 to 1903 only 325 per cent., while the former increased 500 per cent.—this with a population increase of only some 53 per cent. The relative increase of shipping over trade means that British shipping, from about 1880 onwards, when the divergence began fully to assert itself, had in an increasing degree done carrying work for the rest of the world, thus earning a large national income apart from exports. And whereas, on the available tonnage figures, Britain at the end of the century owned nearly half the shipping of the world, she was in point of fact doing more than half the sea-carriage of the world, inasmuch as her shipping had by far the largest proportion of steam to sail, and was further at the highest level of efficiency.

Broadly speaking, that extra work of British shipping has been one of the main factors in that increase of British wealth invested in foreign countries which gave us such a vital financial superiority in the War. Exports should not be looked to as the sole measure of industrial prosperity. Goods and the carriage of goods are alike to be reckoned in economics as services; and wealth is earned by services, between nations as between in-

dividuals. And the power of rendering this particular service is seen to be a special product of Free Trade in our case as it was in the case of Holland in the age of her commercial supremacy.

There will be found to be no exception to the evidence which yields this proof. Much has been heard, from tariffists, as to the expansion of German shipping, under protective conditions, in the generation before the War. But Germany so completely realized the vital importance of free imports to shipbuilding that all duties on articles required in shipbuilding were under her tariff refunded to the shipbuilders, the relief being extended even to the glass and napery required for passenger ships. The supposed exception thus turns out to be the crowning proof of the truth of the Free Trade argument. On the other hand, the tonnage of American lake and river shipping tells only of the area and natural resources of the United States. Protection can preserve their coastal shipping, at the cost of the consumer; but that can expand only with their own industrial growth. It was ocean-going shipping, in competition with the world, that British Protectionism by its Navigation Laws undertook to aggrandize. The collapse of American ocean-going shipping under Protection completes the answer.

The fact that the United States, recognizing the impossibility of building ships in competition with free-trading Britain, resorted in the last generation to the German policy of freeing from import duties all material required for shipbuilding, and yet failed to restore their ocean-going marine, is in some respects the most illuminating evidence of all. The economic process is very clear. American shipbuilders were building under a protective tariff for their own coastal and lake and river trade, which was an absolute monopoly; and they made extra profit on the high costs of their materials. For them to build cheaply on one side of their yards while they built dearly on another was a fantastic undertaking, frustrated from the start by their high overhead charges and the inflated cost of their protected labour. They

had still to pay those wages even if they built ships out of duty-free materials. Thus the experiment came to nothing. You cannot produce the fruits of free trade in a highly protected market; and the manning of the American ships had to be done at the rates of the protected home shipping.

In Germany, where the cost of labour remained lower than that of the British yards, in common with German wages in general, the experiment of building ships with duty-free materials naturally worked better. There, *all* shipbuilding alike was under free trade conditions so far as the building and outfitting went: there was no building for monopoly trade. And yet even there there was no such relative success as Mr. Chamberlain and others pretended. In the years from 1901 to 1906 German steam tonnage had increased only by 567,000—that is, from 1,347,875 to 1,915,475; whereas British steam tonnage in the same period had increased by 2,404,403, considerably more than the total steam tonnage of Germany.

Here again we have to recognize, as in the case of France, that relative smallness of mercantile marine is not an index to a country's commerce. German trade, the expansion of which before the War used to be admirably cited by our tariffists as a proof of what tariffism could do, expanded as it did under Protection mainly because of her close location to the great markets of Central and Eastern Europe. An energetic industrial nation, scientifically equipped, was bound to do better in the markets of Western Russia and Central Europe than Britain could do with the same kind of exports, unless her costs were very highly inflated indeed by her tariffs. The scientific test of the relative strength of the protective and the free systems was their competitive power in markets from which they were about equidistant by sea. And the moment we compare German and British exports of similar products to equidistant markets in the period before the War, it becomes clear that the protected country is handicapped.

There is no other explanation of the relative superiority of British trade with Spain, Egypt, India, China, and North and South America. As regards the general trade with the East, we get a broad statistical view when we note that between 1900 and 1906, when the gross tonnage of vessels passing through the Suez Canal increased from 13,700,000 to 18,810,000 tons, 3,722,000 of the 5 million increase was British and only 976,000 German. But even in the trade from her own ports Germany showed no superior power of competition in sea-carriage. In 1900, of the tonnage of vessels entered and cleared with cargoes and in ballast in the foreign trade of Germany, the German shipping was 49 per cent., and the British 26.9. In 1905 the native percentage had slightly fallen and the British slightly risen.

The general inference is no less clear—it could not be more clear—when we turn to the survey of the general process of industry and export in the Free Trade period. It may be asked at the outset whether there is not force in the familiar tariffist contention that the great British industries had before that period acquired a momentum and a supremacy, through the original start in the use of machinery, and the arrest of continental manufactures in the period of the Napoleonic wars. And the answer is that the start *was* an advantage. Accumulated capital and plant, and acquired technical skill, made British manufacturers in general, before the repeal of the Corn Laws, confident in their power to compete with all rivals, save in a few cases of long-standing foreign superiority. That was the very argument of the Free-traders: they did not want protection for anything: they were being strangled by the protection of food.

And it would only have been a matter of time for the strangulation to reach a point at which foreign competition would become disastrous. Already in the 'thirties we find continental textiles underselling ours in English and in neutral markets, thereby alarming some English manufacturers to the point of wishing to cling to protection in their own trades. An historian of the cotton trade,



writing in 1836, reports that the cotton manufacturers of the United States and of the Continent of Europe, between them, worked up an amount of cotton that was nearly three-fourths of the British consumption, and "have become formidable competitors to us in many markets heretofore exclusively our own." This, indeed, seems to have been a matter of American coarse cotton underselling ours in the "coloured" markets of the world, while our finer cottons were selling well in the American market itself—a state of things familiar in our own time.

But English workmen had been trooping to continental towns in large numbers, the trade unions shipping off members to keep up wages at home while the emigrants earned high wages where they went because of their efficiency. "Every strike in Great Britain," says the historian cited, "has been the era of new factory creations abroad." Thus the foreign competitor was being put on a par with the British in precisely those respects in which he had been behind. From of old, the blind impulse of Protection had vetoed the export of machinery, by way of keeping other nations backward. When it was forced on the notice of the legislature that this stupidly crippled our established industry by preventing our making, for export, machines in common use everywhere, attempts were made to discriminate between new and old inventions; with the result that in the confusion machinery of all kinds slipped through. Drawings of new English machines were in fact annually published by the Society for the Encouragement of the Arts and Sciences; so that there could be small secrecy about new inventions.

When the main measure of freedom was passed, all the old fears and all the old wasteful interference passed away. The rectification of exchanges wrought by the free admission of food was such that the British manufacturer needed not to care for the conveyance of British machinery to his rivals. Imports bought exports; and the sheer expansion of output lowered costs without any lowering of wages. Employers and men gained

alike. The expert statistician sums up that “£75 in 1851 went as far as £103 in 1840, while incomes and wages had slightly increased.” No such betterment of life had occurred or could occur under the Corn Laws.

Protectionists of course continue to argue that other factors than freedom of import counted in the immense expansion of British commerce which took place after 1850. Of course they did. The gold discoveries of 1848 and 1852 in California and Australia, though the gold was not in itself an addition to collective wealth, undoubtedly stimulated production by expanding demand to a certain point. That is how new gold production operates. And also, of course, all the vast improvements in machinery, in the means of transport, and in sanitation, were needed to make the expansion of commerce so great as it was. But that is no offset to the argument that Free Trade was a vital factor in the *special* expansion of the trade of the countries which enjoyed it. The tariffists who argue in this fashion appear incapable of weighing the force of any argument whatever. There had been an immense advance in machinery in the latter part of the eighteenth century; but the expansion down to 1850 was much smaller than the expansion since, and the rise in the standard of comfort had been much less in the protectionist period.

The decisive test is, obviously: What are the *comparative* effects of the contrasted fiscal policies of freedom and protection on the different countries, having regard to their obvious possibilities in terms of their natural resources, their areas, and their population? Perhaps even a tariffist may be able to see that the prosperity, however great per head, of the population of Holland, *cannot* approximate in figures to those of either France or England, having regard to Holland's area. It is to be feared, however, that he *will* not see that the whole commercial prosperity of Britain, however great per head of population, cannot yield an approximation to the total figures of production for the United States, which, broadly speaking, have over forty times our area—

theirs being considerably greater than that of all Europe—and a hundred times our resources, in respect of their coal, iron and other ores, and their oil, their cotton, tobacco, fruit and corn-yielding land; and, latterly, two-and-a-half or three times our population. On those heads, tariffists are deaf, dumb, and blind.

Put the relevant tests: Why has France so utterly failed in securing the sea-going tonnage she wanted? Why have the United States failed to preserve theirs? Why has little Holland proportionally so much larger a sea-going tonnage than France? Why have British manufacturers in mass so constantly held the lead over those of France, where the faculty for manufacture is seen so notably at work in silks, in fine woollens, and in so many forms of artistic construction? And why did pre-war Germany, with all her science, her energy, her relatively low wages, and her much larger population, fail to overtake British exports even by the aid of an unequalled staff of foreign commercial travellers and a dangerous resort to the device of long credits?—put all these questions, and there is only one honest answer open to economic science. The results in question are wrought by the differing operations of the two contrasted fiscal systems.

The expansion of British trade in times of peace—for of course the disastrous interludes of the Crimean War and the Cotton Famine caused by the American Civil War were grievous hindrances—was so incomparably great that for a whole generation protectionists were practically reduced to silence. Those were the days in which statesmen avowed that “our prosperity advanced by leaps and bounds,” and Disraeli—who had always seen for himself the genius of Cobden and the force of the Free Trade case, even while he employed the stale sophisms of the Protectionist case—declared to a political supporter who wanted a return to import duties, “Protection is not only dead, but damned.” For every protectionist plea of the past had been utterly refuted.

The senseless thesis that high food prices *produced*

high wages, in spite of diminished exports, was dismissed even from the House of Commons, in the face of the fact that, with cheaper food, wages of all kinds were higher; and that even when bread rose in price through bad seasons the new abundance was such that, with the ever-expanding flow of exports, the nation had never known since 1846 such distress as it had twenty times endured under Protection, and wages remained at the better level. But the crowning stultification of the false economics of Protection was the new prosperity enjoyed by—of all imaginable industries—the one which Protection had in especial claimed to foster and further, namely, Agriculture.

It is the incontrovertible historic fact that the modern period in which British agriculture had the highest record of steady prosperity was that of the thirty years following on the repeal of the Corn Laws, a period which ended only with the emergence of the unprecedented phenomenon of the wholesale production of wheat from virgin soil in the United States educed by the policy of throwing such land open gratis to all who would cultivate it. Of the temporary economic results of that procedure I shall speak later in discussing the modern relation of agriculture to Free Trade. But so far the case for Free Trade was admittedly irresistible when the farmers found themselves newly and steadily prosperous, and the landlords in the enjoyment of steady rents, under the very system which the landlords had declared to mean their certain ruin.

The economic sequence was perfectly simple. Under Protection, as we have seen, the farmers prospered only in times of scarcity, when their high profits induced them to extend their farms and undertake to pay higher rents on their renewed leases. In years of abundance, the low prices of wheat made them bankrupt. Under Free Trade, with English wheat conforming to the world price, farmers would not plunge as of old, and their rents steadied. But the steadied rents were paid; and it has never been pretended that the landed interest suffered

in the generation of normal world competition. It was really richer than before; though of course its representatives never bethought them of confessing the sins of themselves and their fathers, or of paying penitent tribute to Richard Cobden for past insults.

At the same time the money wages of the agricultural labourer improved, while his costs of living fell. From 1850 onwards his money wages increased up to the end of the century by 20 per cent., while the prices of the articles of prime necessity fell by 50 per cent. Of the improvement in the agricultural labourer's wages, doubtless, something was due to the removal of many country labourers to other forms of work, in particular mining, navy work, and railway work. Such a transfer was necessary by reason of the increasing resort to machinery in agriculture, and, later, of the shrinkage in corn-growing in the last quarter of the century under the new foreign competition. But the transferred labourers earned still higher wages in their new work, and those left on the soil gained by the reduction in their numbers.

Here we come face to face with the vital economic fact that no matter what may be your fiscal system, if your population goes on rising at a greater rate than the expansion of your field of employment and the potential expansion of your cultivated area, there must be trouble. That plain fact had led in the first half of the last century to many schemes of emigration, and much literary declamation about the possibilities of Crim Tartary and the Curragh of Kildare. Naturally, British workmen declined to experiment on Crim Tartary and the Curragh of Kildare, leaving the people of Ireland, much depleted by their compulsory emigration after a deadly increase of population fed on potatoes, to deal with their own waste land as best they could under the old Land Laws. And it is certain that life conditions in English manufacturing towns in the protectionist period, and for some time after, were in various ways deplorable.

Disraeli, in his *Sybil*, not without a thought of retaliating on the manufacturers, drew a lurid picture of it,

saying nothing, of course, about the squalor and sin and misery among the starved peasantry on the land. But from the end of the first half of the century the conditions so steadily improved that emigration, which was the indispensable safety valve, could be left to take care of itself. Arnold, of course, could find texts for sardonic sermons on the statesmen who talked of our marvellous prosperity; but he could not pretend that free trade was producing worse rural conditions than Hannah More had described in her day and generation. The outstanding fact is that under free trade English emigration has not been a mere matter of the exodus of poverty but in large part an exodus of comparatively well-to-do working-folk desirous of seeing life in other English-speaking lands. The tariffists who professed to lament over that emigration in pre-war days did but reveal their customary sciolism. Those who can believe that a protective tariff, curtailing imports and therefore exports, would provide subsistence for a larger population in Britain, need hardly be argued with.

What is certain, on the other hand, is that the maritime supremacy and the immensely expanded foreign trade arising under freedom of import has benefited the mass of the people not merely by raising their wages but by lightening their burdens. One of the obvious fruits of the new policy was the outstanding phenomenon of "excess imports"—the excess imports which Mr. Meighen believes to have sunk us progressively deeper in debt ever since 1850. Englishmen in the past called it "the adverse balance of trade." Many schoolboys are now aware that it is national profit—the proceeds of foreign investments, the earnings of our shipping, the earnings of our banks in financing the foreigner, and the premiums paid by foreigners to our insurance offices. To pay such large sums—reckoned to amount, before the War, to £90,000,000 in the case of shipping alone—there is only one way, the import of foreign goods.

In a later paper I shall deal with the various outcries of tariffists and others against that steady inflow of

surplus wealth—outcries which usually work out in the proposition that the imports take the bread out of the mouths of our own workmen; from which thesis it follows that, seeing our manufactures are certainly sold in protected countries in general, all trading countries are at all times taking the bread out of each other's mouths. In the present connection it may suffice to note that, while Germany also was latterly "suffering" from an increasing excess of imports, our greater excess has meant the best life conditions for our workers enjoyed by any country in Europe. Those very imports which our tariffists tell us give no employment here, actually give employment from the moment they move towards us—to our sailors and ships, and through them to our shipbuilders, to our dockers, to our railwaymen, to our traders and salesmen and clerks.

As against all the garbled figures produced to the contrary, let us note the comprehensive statistics produced in 1903 by Carroll D. Wright, the then Director of the United States Labour Department. With absolute impartiality, he calculated that the food of the American workers at that date cost them only 33 per cent. of their wages, as against 45 per cent. in the case of British and 55 per cent. in the case of continental workers. That American advantage—since, I believe, largely if not wholly lost—was due to the simple abundance of the principal foods, apart from bread. But when all the costs—rent, clothing, amusement, travel and taxes—were taken into account, and the question was put: *How much labour* does it cost an average workman to maintain an average family in a given country at its prevalent rates for food and the other things? Mr. Wright reached this result: England, 205 days' work per annum; United States, 225; France, 231; Germany, 240; Russia, 286; Italy, 290. Hence the monumental fact that the lowest working hours in the whole industrial world were, as they still are, the working hours of Britain—even in face of the remarkable experiments of Mr. Ford.

But we have not done with the economic problem

of the effect of what are termed excess imports on industrial well-being. We must not overlook the fact that excess imports *can*, in certain circumstances, cause serious disturbance in industry. I can remember when, in my 'teens, cheap sugar was throwing some men—not many—idle in our sugar refineries; and at that elementary stage I was a juvenile protectionist for one week, or rather an advocate of a special dole for unemployed sugar-refiners. You are aware that ultimately cheap sugar, yielded to us by foreign bounties, not only directly benefited our entire population but provided for far more employment in sugar-using industries than was ever given by the refineries. But there are larger problems which should not be ignored. Disturbance of employment on a large scale *is* a serious matter for the State.

It occurs, of course, from time to time in protected and non-protected States alike; a depression in America (where they used usually to begin) necessarily affecting the other trading countries. To say that, is to say that Protection cannot avert such depressions, though no tariffist will openly confess so. But there are other kinds of depression. We have to remember how in Old Rome the exaction of a regular tribute in corn from conquered provinces—Sicily, North Africa and Egypt—wrought something approaching a virtual extinction of agriculture in Italy for a whole era. Could that happen under Free Trade?

But take a nearer illustration. At the close of the Franco-German War, France was mulcted by Germany in an indemnity of £200,000,000, which France proceeded to pay in gold, in goods, and in credits valid for gold. The result was extremely instructive. It was that whereas France had an unprecedented excess of imports (£7,560,000) in 1871, when she needed much material to remedy destruction, and was borrowing to some extent from England, in the six following years she greatly exceeded her normal excess of exports. As an indebted country she had to. On the other hand Germany, in the



years 1871-75 greatly increased her excess of imports—the outward and visible sign of the indemnity paid by France.

Now, this was not in itself wholly an evil. The goods meant abundance of food and drink; the cash provided at least for the establishment of a sound new German currency. The least useful thing was the mass of credits, which, in so far as they were distributed amongst manufacturers, set up a non-economic production for which there was no adequate demand. France did not want the goods; and as little did England, which had been producing at high pressure. And when the situation matured we had the curious spectacle of defeated France humming with industry and a Germany so smitten with commercial depression that the dismayed paladins, Bismarck and Moltke, looking at their prosperous enemy, considered the policy of attacking France anew, to crush her. There is a legend that Bismarck made a vow to the effect that if there came another war he would see to it that Germany paid an indemnity to France.

The economic lesson is fairly clear. Excess imports, so called, do not disturb industry when they arise out of the normal operations of free trade. In that way they spontaneously adjust to the conditions, the foreign remittances spontaneously seeking out the most advantageous trade openings for the time being. Thus they come, in a normal way, in manageable shapes, to a market which can absorb them, and create a beneficent abundance. At times, indeed, they may cause gluts, as when a loan to a foreign State is being paid off; or an unsuccessful investment in a foreign enterprise is sold out at a loss, to avoid further loss. But such derangements of the course of commerce are not at all confined to the case of abnormal excesses of imports.

There is the historic case, in the last generation, of a bumper home harvest, which made it unnecessary to make the then usual large purchases of American corn. The result was that a large quantity of British shipping

was thrown idle, with the further consequence of throwing shipyards idle for a considerable time. The "bounty of Nature," in this case, meant unemployment for a large number of sailors and shipwrights, thus doing exactly the kind of harm that could happen from a sudden and unexpected excess of imports.

Now, a perfectly adjusted and highly developed scheme of provision for unemployment would have relieved such distress, as the unemployment insurance system set up by the Asquith Government aims at doing; and the German Government in 1875 might conceivably have divided among its unemployed workers the excess of unsaleable goods which resulted from the extorted indemnity. But it is generally recognized that long spells of idleness are demoralizing to workers; and there may be assumed to be a general agreement that if Germany were able to pay in goods the Reparations demanded of her, the result must have been an acute congestion of our own industrial troubles. In short, the principle of Reparations is, in respect of such facts, unworkable. To receive over a long period large quantities of German goods, the proceeds of which should support idle British workmen, would be a cure worse than the present disease.

And this raises the question, How far is the present state of unemployment, now of such long duration, due to Reparation payments? I cannot profess to say, in the absence of evidence to show what is actually taking place as to Reparation payments. But it is sufficiently clear that the unchangeable tendency of such payments, constituting *imports which do not elicit exports*, is to derange industry to the extent of setting up lasting unemployment.

And what is now to be said of the men who, after having asserted during many years that excess imports occurring in the normal course of trade are an unmitigated evil, proposed to cure our post-war troubles by forcing an excess of imports which exclude exchanges, over a long term of years? It is the last word of protectionist folly, acquiesced in by some unintelligent politi-

cians who profess not to be protectionists. And it all constitutes one more colossal revelation of the economic incompetence against which Free Trade has always had to battle, and will have to battle till civilization has reached higher levels. This, too, is a "discovery of Free Trade."

But, as we have seen, it has yielded more inspiring discoveries than these. Take, in conclusion, two instances in our modern industrial history, of the inspiring and energizing virtue of freedom. In the last generation, the application of new and superior machinery to boot-making, with a further intelligent adaptation to common needs by varieties of shapes and sizes, made it possible for American boots and shoes to invade our markets in increasing quantities. Our manufacturers were hard hit, and some cried aloud for Protection. Had they got it, they would have floundered on in shallows and miseries, inefficient, unprogressive, hopeless. Unable to get Protection, they set about helping themselves. They sent out to the United States their sons, their foremen, their workmen, who went to American factories to learn the new methods. Having learned them, they proceeded to obtain from the American manufacturers of the new machines leases of machinery on much lower terms than those extorted by the machine manufacturers from their fellow-countrymen. Within a few years the tide was turned: British boots on the new lines met and undersold the American competition; and the British export figures rose higher than ever. So much could Free Trade do. Protectionism had played into its hands.

Still more memorable perhaps is the story of the sequence of the American policy, under the McKinley Tariff in the latter years of the last century, of creating an American tinplate trade by laying heavy duties on British tinplates. Those tinplates served the large American canning trades with cheap cases for their fruit, meat, and salmon. During the year in which the new tariff was impending, the British tinplate-makers made their fortunes by immensely increasing their

export, which was eagerly bought up in the States. Then began the destruction of the American canning trade side by side with the collapse of the British tinplate trade.

The new American tinplates, under their heavy protection, were so enormously dearer than the British had been that many canners could not afford to buy them. Millions of dollars' worth of American fruit, in consequence, had to be allowed to rot; and what export of American canned produce went on was so much dearer, in respect of the dearer cans, that its market fell off. Then came the opportunity of the British tinplate-makers. They sent their travellers to Canada, to Australia and New Zealand, to South America, to places where canning had never been done before, offering cans at so much cheaper a rate than they now cost in America that everywhere new canning industries sprang up, new trades opened, and the American lead was not merely temporarily but permanently lost. When it is added that the British tinplate trade thus revived was triumphantly carried on for a time by means of dumped German steel—that is, steel sold by protected German producers to us at lower prices than they charged to their own countrymen—it will be admitted that alongside of the discoveries of Free Trade are to be tabulated certain discoveries of Protection, which to the Free-trader are no less instructive and encouraging. And to the Protectionist they might be sobering, if only the Protectionist could learn.

## VI

### MODERN PROTECTIONISM

WE have seen how in various modern countries Protection has been established or re-established; in the first cases on the pretext of building up "infant industries," which are never to be recognized as grown-up; in the second under pressure of financial need not easily to be met otherwise. In our own case we have seen recurring movements striving to restore Protection, as American manufacturers maintain it, without either pretext. All are assignable to the chronic craving for State help in times of industrial slackness, or to the political scheming which sees in such cravings a force that may be exploited for party purposes. The longest and most strenuous movement of all, in this country, comes under the latter category.

I can recall a series of agitations rising and falling from forty to fifty years ago. One called itself Retaliation; another, perhaps seeking an air of higher moral aspiration, was labelled Reciprocity. The most active of the series was still more skilfully baptized Fair Trade. But they held in common their arguments, their childish chicaneries, and their economic blindness.

To the inevitable depression which followed on the boom years of high prices and large exports following on the Franco-Prussian War may be ascribed the chief influence at work in the Fair Trade movement. Though agriculture was then being hard hit by cheap American corn, there was not, so far as I remember, much talk of re-establishing Corn Laws in the interest of the farmer. It was fairly obvious that not the farmer but the landlord would have to bear the loss; and between the needs of

rich landlords and the food needs of the people there was small question which would carry the day. It was on imports of manufactured goods that the agitators wished to lay taxes. When the Fair Trade League about 1880 proposed a tax on foreign food, the leaders of the Tory Party disowned the idea.

But the push for duties on manufactured imports was noticeably strong. Our manufacturers, in a time of trade depression, had become newly conscious of foreign import duties, and their spontaneous impulse was to retaliate. That they themselves should improve their technique; that they had become slack in the period in which they had had things very much their own way, was the last thought to occur to them. It was thus noted, about 1878, that "the 'retaliation' people are mostly to be found among the trading and manufacturing classes, while the protectionists proper are mostly in the ranks of the landowners;"<sup>1</sup> and a "large and increasing section of the working classes"<sup>2</sup> went with the former. A Manchester man wrote:

"It is a great mistake to suppose that the mass of the people of this country are free-traders from intelligent conviction. They are nothing of the sort. The bulk of the working men, whatever they may call themselves, are protectionists. So also are very many of the merchants and manufacturers."

These men, he added, had been free-traders in the past, but now declared that theory was one thing and practice another. That, he declares, "is the state of mind very common at present among the younger merchants and manufacturers here, and it will certainly be turned to account at the next general election."<sup>3</sup>

In point of fact, that did not happen; and we are to remember that at all times there are always shallow people who thus miscalculate and falsify facts in their predictions. The election of 1880 did not turn to any perceptible

<sup>1</sup> A. J. Wilson, *Reciprocity, Bi-Metallism and Land-Tenure Reform*, 1880, p. 17.

<sup>2</sup> *Id.*, p. 3.

<sup>3</sup> *Id.*, p. 5.

extent on tariffism; and Gladstone returned to power with a great majority. Still the agitation went on, lasting for a number of years, till it was ostensibly swept aside by the new question of Home Rule. Before that, however, the case for so-called "Fair Trade," that is, a system of retaliatory and preferential duties, had been effectively argued down; and it is instructive to note the circumstances.

A writer who did much of the work of refutation, T. H. Farrer, of the Board of Trade, afterwards Lord Farrer, has put on record a general view of the manner of the agitation. It dealt in

"appeals to the prejudices and self-interest of special classes; allegations of national ruin, which everyone knows to be false; misstatements of historical facts which have happened within my own recollection; suggestions of the superior wisdom of Prince Bismarck and M. Thiers; imaginations of the grand imperial policy which Mr. Pitt or Mr. Huskisson would have followed had they been in the place of Sir Robert Peel and Mr. Cobden; attacks on Cosmopolitanism and praise of Imperialism; denunciations of political economy, in which the ignorance of the writers was as conspicuous as the violence of their language; and general philippics against Radicals, Philosophers, and members of the Cobden Club."

Such were the modes of argument forming the staple of the agitation, to which he did *not* think it necessary to reply. The items he selected for discussion were of a kind that are being made freshly familiar to-day.

Men who were seeking protection in their own private interest took the strategic course of professing a concern above all things for the binding together of the Empire. But they thought fit to recommend a policy of protective duties on foreign foods and goods, with free entry for imperial foods and goods, by arguing that in point of fact the trade of the mother-country with the colonies—they were still called colonies then, not Dominions—was actually increasing all the time more steadily than our trade with foreign countries. If this were true, one might ask, Why not leave well alone? But it needed only an examination of the statistics of trade over a period of years to show that the assertion was false; and that,

in particular, the protectionists were assigning to colonial trade an expansion which had for the most part been confined to the trade with India.

In 1840 the total British exports to the colonies had been under 12 millions; to India, over 5 millions; and to all countries 51 millions, in value. In 1880, the total exports had increased to 223 millions, a more than fourfold increase; while those to the colonies had increased less than fourfold—from 11·8 to 44·8—; and that largely by way of loans; those to India nearly sixfold; and those to foreign countries considerably more than fourfold. Taking a later period, it was found that colonial trade fluctuated just as much as foreign trade, and formed no larger a proportion of the total trade than it had done fifteen years before, despite the factor of loans. Again and again, in our time, have we met with restatements of the same claim, equally untrue, and equally rebutted by the figures.

The plain tale of the official figures, however, was sought to be obscured by an assertion which even then had the effect of making business men first stare and then shout. We were then buying wheat from Australia and from the United States; and, inasmuch as we were exporting to Australia greatly in excess of our imports thence, by way mainly of loans then being made to Australia, the Fair Traders framed this memorable proposition; That inasmuch as we exported to Australia, for every quarter of wheat we imported thence, sixteen times more goods than we exported to America for every quarter of American wheat we imported, our trade with Australia was sixteen times the more profitable, and employed sixteen times more British labour.

Even the men who instinctively desired to see an excess of exports, and dreaded a surplus of imports, seem to have been staggered by the conception that we paid to Australia, in goods, sixteen times more than we paid to America for every quarter of wheat, and that we gained heavily by such a transaction. It is one of the comforts of the Free-trader, battling chronically against epidemics



of claptrap, that the advocates of tariffs can be always trusted thus to

bring  
The eternal note of *madness* in—

if we may dare so to pervert a poet's line. The protectionists had overreached themselves.

It needed little penetration to see that they had advocated tariffs on foreign imports, with free entry for colonial imports, because they knew they had absolutely nothing to fear from colonial *manufactures*, and they did not care two straws whether they made food dearer to the mass by taxing all non-imperial corn. All the while, a number of our colonies, Canada in particular, were steadily raising their tariffs against the mother-country and every other; and it was perfectly obvious, even then, that no advantage in the way of preferential entry for their corn, which they knew we bought because we needed it in any case, would induce them to abandon a protection which their ruling interests set up on behalf of themselves. Imperial unity was simply the empty pretence of an organization of Britons seeking their own private gain.

Nothing but self-interest, in fact, could induce any body of business men to spend freely on a propaganda which professedly aimed at sentimental ends. Frédéric Bastiat, who was one of the kindest of men, once wrote: "I am not one of those who say that Protection rests upon interests. I believe that it rests on errors, or, if you prefer so to put it, on *incomplete truths*." It is now the fashion among the sciolists of Protection to belittle Bastiat as shallow. He really had a much clearer head than has ever been found in their ranks; and his exposure of "Economic Sophisms" will never be by them rebutted. But in this case he has fallen, by stress of benevolence, into a psychological sophism.

Interests are determinants of opinions, as well as of mere professions of opinions. The opinions of men who are not self-critical take the colour of their interests.

What is it that generates and sustains the most discredited errors in economics in the teeth of the most complete refutation by evidence and argument? The answer must be, Interests, in other words, the pocket. It is true, I grant, that the free-trading consumer also has regard to his pocket, hating to have it picked. But he puts forward an overwhelming case to show that Free Trade is in the national interest; and it is this case that the protectionist never meets save by false statements, false inferences, false statistics, and a blind eye for all the statistics or arguments that confute him.

In the 'eighties, several forces served to overbear and dismiss the tariffist movement. In the first place, argument and evidence counted for much; and it was noteworthy that the leaders of the trade unions, being more studious than the rank and file, stood by Free Trade. No protectionist could produce a book that, for intelligent readers, could stand against the work of Farrer for an hour, either as to evidence or as to argument; and indeed, just before Farrer dressed his battery, Mr. (afterwards Sir) George Baden Powell, later a prominent opponent of Home Rule, had produced a noticeably able Free Trade book (1879) on *Protection and Bad Times*—a little too philosophic for popular consumption. But the traders also began to learn their lesson, in the right English fashion.

They had been scared by, among other things, the new German competition; and it had to be shown to them that the Germans were succeeding by dint not of protective tariffs, which had really not been needed to secure the German home market in respect of the chief staples, but by better business methods. The Germans, to begin with, had a better system of national education; they mastered foreign languages; they sent out travellers who spoke the languages of the countries they entered; and, above all, they sought everywhere to conform to the tastes and requirements of customers in every country, whereas the good old English custom had been to offer

English goods in English make-up, with the tacit intimation, Take it or leave it.

Needless to add, the Germans all along, in the latter industrial period, copied what was best in English and French modes of production, offering cheaper substitutes. Naturally they were indignant when Englishmen began in some quarters to play the same game. Then they declaimed loudly about "a malignant form of modern depravity which is the peculiar resort of capitalists, Jews, and English manufacturers";<sup>1</sup> and called English competition "piracy," and "an infamous breach of honesty." But the strength of English trade continued to lie, as may it always do, in the better quality of its produce. When I wintered in Germany in 1887, and went to buy some underclothing, I was proudly told by the lady in the shop that the goods she offered me were "echt English," genuine English, and therefore the best.

Learning his business anew, the English trader found that his rivals suffered from their protectionism. Every act of protection to a German industry elicited calls from the other German industries which suffered; and always the manufacturer was being driven to inferior production by way of keeping down the price of his exports. The accession of the resources of Alsace and Lorraine to Germany—an economic fact carefully ignored by the protectionists who pointed to the increase in the figures of German exports—necessarily swelled the German output; but do what they would, the free-trading country, once it overhauled its methods and improved its technique, had still insuperable advantages from its free imports.

And, yet further, the debate forced home the incontrovertible truth that the theory of Retaliation—the *à priori* doctrine, endorsed by Lord Salisbury as later by Chamberlain and Mr. Balfour, that a tariff is a means of forcing down foreign tariffs—is utterly false.

The only difficulty is to understand how men have

<sup>1</sup> Farrer, *Free Trade and Fair Trade*, 3rd ed., 1886, p. 166.

ever honestly failed to see this—the cardinal untruth of modern Protectionism. Peel, and Huskisson before him, had found, after years of negotiation, that protectionist States simply would not bargain. The whole history of tariffism reveals the same thing. Tariffs, in nine cases out of ten, go on rising. Every country that imposes a new tariff, or raises an old one, has on the tariffist theory a means of forcing other countries to reduce their tariffs. Does it ever succeed? The bare figures of the tariffs of the world are the disproof. We have seen tariff wars between different countries carried on for whole decades, causing many millions of loss on both sides, and only ending in a return to the *status quo ante*, with no hope of gain. And the one thing that any tariffed State can hope to gain from any other, the gain of being put on the footing of the “most favoured nation,” is all along enjoyed as a matter of course by the Free Trade nation, which gets “most favoured nation” treatment from every other, with trifling exceptions due to differentiation in our wine duties, which are not protective.

That advantage begins to be lost the moment we give preferences to the Dominions; and it will approach the vanishing point when we reach the stage of a general tariff. And why, in the name of reason, should we penalize ourselves by a tariff, making everything dearer for everybody, to the iniquitous profit of only one man in a hundred, when by so doing we shall not merely not lower a single foreign tariff against our goods, but will infallibly cause them all to be raised?

All these considerations, gradually reaching the troubled intelligences of our manufacturers, took the wind out of the sails of the Fair Trade League in the eighteen-eighties. When, further, it became clear that the trade depression which had affected England was affecting the Protectionist countries in an even greater degree; that it was precisely the most heavily protected industries that, abroad, suffered most, though they heavily involved the transport industry; that metals,

metal wares, textiles and sugar, were the very things our rivals had the worst glut of, and had to sell at losing prices; that in 1884 some 780,000 operatives, about 30 per cent. of the whole industrial population, had been thrown idle in the United States; and that there were towns where not a single factory had worked for months, so that thousands of men were literally starving;—the comparatively undeveloped effrontery of the movement of the 'eighties found itself unequal to the task of claiming that Fair Trade meant work for all. That slogan was to come in the new age.

Though the rise of the movement which labelled itself "Tariff Reform" must be still within the memory of half the nation, it is necessary to recall clearly the circumstances. It was in fact the most sinister of all the movements ever planned for the reimposition of tariffs in any country. In the United States, we are told, manufacturers will follow up a tariff reduction by dismissing workmen, so as to prove that the reduction has injured trade. But that is at least the tactic of men seeking to recover some of their lost loot. The Tariff Reform movement of 1903 was the creation of a politician who had twenty years before contemptuously denounced the same body of arguments as fraudulent, and who now embraced them by way of giving his party what he thought would be a good war-cry. Never in the interval had he suggested that he had found flaws in his previous faith. In point of fact he never had.

It is true that the Conservative party, through its outside organization, had held on to protectionist proposals as late as 1891; and that in 1898 Canada was discussing with Mr. Chamberlain with a hope of getting a preferential tariff; but he had made no avowal of change of opinion. What occurred in his mind was a change of electioneering tactics.

Winning the "Khaki" election of 1900 by the votes, among others, of many non-Unionists who desired that the Unionist Government should "clean up its own mess" in South Africa, that Government found itself faced by a

formidable and ever-growing indictment for its management of the war. Mr. Chamberlain, who, after figuring as the "Jack Cade" of Tory invective up to 1886, had become in 1898 the most active force in the Tory party, had a short but firmly held code of principles, one of which was: "Never defend yourself: always attack the other man." And it was simply as a tactic for the coming election that he proposed to his party the official adopt of the old Protectionist cry, which would serve as a means of turning aside the whole opposition attack, putting the assailants on the defensive.

The fact that this had been precisely the tactic of the Boers, who thereby lost the war, did not occur to the tactician. It did, however, occur to some of his colleagues, and not only to those who happened to be disbelievers in Protection; the result being the strangest re-shuffling of a Cabinet in modern times. But the faculty of ascendancy enabled Mr. Chamberlain to impose his tactic on his party against the will even of its majority; and in due course, in the way in which such things happen among aristocrats as among democrats, tariffism became the one prominent positive article in the British Conservative creed.

Before noting in brief detail the aspects of the new propaganda, it is important to realize how essentially it turns on the spirit of national jealousy of "the foreigner." In the previous hundred years, many home industries had been "ruined," as the phrase goes, *by* home industries. Every important new advance in machinery had for a time thrown many men idle; and in many cases the new machine beggared the old manufacturer who could not get capital to make a new start. But, more than that, certain new inventions had partly or wholly cancelled whole industries. In the early years of the nineteenth century, gas was beginning the "ruin" of the old oil<sup>1</sup> and

<sup>1</sup> The gas (objected to on score of health)

Conveyed in little solder'd pipes by stealth . . .

Which to the oil-trade doth great scaith and harm,

And supersedeth quite the use of the glow-worm.

Keats, *The Cap and Bells* (1820), st. 24.

candle trades. A little later, railways began the ruin of the stage-coach industry, and the partial ruin of the roadside inns. Had foreign imports ever so operated, they would have been furiously excluded. The ruining was all done by native innovation, pure and simple.

Every year, in the history of every nation, these processes of substitution are going on. Changes of fashion throw industries idle, wholly irrespective of imports. Large businesses kill out small; the well-organized business beats the ill-organized. Nowhere is there more of such dislocation than in the chief protected country, the United States, where, besides, large combines deliberately wreck, by underselling, businesses which refuse to join them. For every factory closed as a result of foreign competition in England, ten have been closed in the States by the operations of Syndicates—always with the effect of throwing many men temporarily idle. But if it can ever be shown in England that a backward and mismanaged industry—as that of bottle-making used to be—is undersold by foreign imports, and that a bottle factory is closed, though on its own site there is built a factory three times more profitable and employing five times as many hands, then, as a “ruined industry,” that deceased bottle factory furnishes to a multitude of simple British souls a reason for demanding that “the foreigner” shall be “kept out.”

Chamberlain, than whom no politician was ever more skilled in playing on prejudice, whether of class, nation, or race, set up a movement which no other man could have created. He told his countrymen that the Cobden Club was largely supported by foreign subscribers; and when this was officially declared to be utterly false, with an offer to exhibit the Club's books, he made neither apology nor retraction. He falsified quotations from Cobden and Mongredien by way of confuting Harcourt and other free-traders; and when the true quotations were given he still made neither retraction nor correction. He started his campaign by setting the figures of the inflated years after the Franco-German War against the

normal years following, never mentioning that it was only in terms of value that the former years exceeded the later, and that in point of quantities our exports had greatly expanded beyond the figures of the boom years in question.

Now, Mr. Chamberlain had perfectly well known the facts as to those boom years and their abnormally high prices when, in the 'eighties, he was confidently defending Free Trade against the attacks of the Fair Traders. It was in 1885 that he thus met the distressful cry of the sugar refiners who had suffered from the importation of bountied sugar from Germany:

"I would as soon fight this Fair Trade Humbug—(cheers)—upon sugar as upon any other thing. . . . I know something about the Workmen's National Association for the Abolition of the Sugar Bounties. (Laughter.) I have met the gentlemen before. It is a sham Association—(hear, hear)—with precious few workmen about it. It is got up and paid by a few West Indian planters who want to make a profit out of an increased price of sugar. Ah! I have great sympathy with any real movement on the part of the working classes, but I have no sympathy at all with those men who sell themselves to an agitation of this kind. (Loud cheers.) *Well, I have no doubt my constituents will know how to deal with them when they come.* (Laughter and cheers.)"

And "these eighteen-penny working men," and the aim that "the few West Indian planters may double their fortunes rather quicker than they otherwise would do," are further derided. It was the same publicist who in 1903 set himself to make out that all the main British industries were on the way to speedy extinction; backing up the doctrine with a set of proposals beside which those of the Fair Trade League had been sober and plausible.

Nothing in tariffist propaganda has ever outgone in effrontery the announcement that the 10 per cent. duty on £140,000,000 of manufactured imports would yield a revenue of £14,000,000, available for the reduction of duties on popular luxuries, and would at the same time keep out the whole of the goods in question, thus providing employment *to that amount* for native workmen. And when the lunacy of that prospectus was brought home even to audiences with protectionist sympathies,



there was substituted another, no less ridiculous. The rank and file of tariff propagandists explained that when the duties were imposed they would be paid by the foreigner, who would have to sell his goods at so much the less to get into our market. Thus again there was to be *no* help to the unemployed, since the goods were still to come in.

And, all the same, the commonest cry of the Tariff Reform leaflets and speakers was that "Tariff Reform means work for all." The assurance was given by Mr. Amery among others. Leading Conservatives, sick of the shameless claptrap with which the cause of protectionism was being associated, indignantly repudiated the pretence that unemployment could be provided against by any fiscal system. They knew that unemployment was more severe in the United States and in Germany than in Britain when a British depression followed upon an American collapse in 1907-1909. But such repudiations had no effect on the everyday propaganda of the speakers and journalists of the Tariff Reform League.

As to the doctrine that "the foreigner will pay," again, we have to acknowledge that it was formally repudiated by Mr. Balfour, who expressly avowed that the purpose of a protective duty was to raise prices, and that it would fail of its purpose if it did not do so. But the lure of making the *foreigner* pay was for electoral purposes the real "draw." An American politician once assured me that while in his country they had talked an infinity of nonsense on the tariff, they never talked "such d——d nonsense as that." But he was mistaken. It was an old American formula; and Mr. Trumbull, the American historian of the Free Trade Struggle against the Corn Laws, cites it as latterly used in the American Congress, adding: "In all the debates in Parliament between 1841 and 1846, I cannot find it on record that any member was foolish enough to think that, or daring enough to say it." Thus do we ascertain the progress of folly.

The moral and economic significance of the formula

lies in noting the perfect certainty that if, after the imposition of a tariff, the goods *were* to come in as before through reductions of price by the foreigner, the tariffist party would immediately demand a doubled or trebled duty to keep the goods out.

It is of course impossible to put in a few pages anything more than the briefest account of the prodigies of self-contradiction, fiction, false statistics and insensate argument, with which the country was flooded by the backers and employees of the Tariff Reform League during the twelve years preceding the World War. But, as we are likely to have it all over again, the rising generation should take note of past tactics. Let us then specify another dozen of the self-stultifications of Tariff Reform. We have noted how the revenue of 14 millions was to be obtained and yet not be obtained, and unemployment was thus to be cured and not cured; and how the foreigner was to be made pay on the goods which he was no longer to send us. Consider next:

1. The common announcement that tariffists were in favour of "free trade all round," and promised that this would be either wholly or largely attained by our retaliation. The same tariffists had also declared that the entrance of foreign goods was the cause of unemployment; and they were now proposing to bring about a state of things in which there would be no check to the entrance of foreign goods, which, further, would necessarily enter in greater quantities than ever, since, in the terms of the case, we should be exporting more than ever because of the lowering or abolition of hostile tariffs.

2. The very promise that the creation of a retaliatory tariff by us would cause the reduction or removal of hostile tariffs was not only made in ludicrous defiance of the fact that in whole generations of tariff history the tariffed countries had *never* taken off their tariffs against each other, but was a stultification of the offer of Colonial Preference. For, if our retaliatory tariff *were* to force other countries to take off theirs, there would no longer be any pretext for Colonial Preference at all.

3. Yet Colonial Preference—at the rate of a shilling or two in the quarter on wheat—was specially stressed as a means of “binding the Empire together.” In the terms of the case put, accordingly, free trade all round, by ending Colonial Preference, would let the Empire fall to pieces.

4. Colonial Preference, at the same time, was in itself a stultification of the theory of the need for retaliation. One of the highest of the hostile tariffs we had to meet was that of Canada; and when Mr. Chamberlain professed to count on a reduction of Colonial tariffs against us, he was plainly told that nothing of the kind would be accorded. Then it was the tariffists’ plain duty, instead of giving Colonial Preference, to retaliate on the Dominions which were raising their tariffs ever higher against us. Their preferences to us left their tariffs against us higher than those of most of the other countries. And that was not all.

5. At his outset, Mr. Chamberlain gave as his explanation of his apostacy from Free Trade the allegation that within thirty years “everything has changed. . . . Trade has changed.” But Mr. Chamberlain had been an aggressive Free trader in 1885, and had ostensibly held to his views in 1886. Now “thirty years” carried us back to 1873, whereas twelve years after 1873 Mr. Chamberlain had been utterly contemptuous of tariffism, in the face of cheap sugar imports. The statement that “everything had changed” could only mean that other countries had become more Protectionist. But Mr. Chamberlain, by means of false quotations and flat fictions, had been deriding Cobden for expecting that when we adopted Free Trade other nations would follow our policy. Then there had admittedly been no change as to foreign Protection. What foreign change then *had* occurred? It could only be argued that foreign nations were now more active in manufacture. But they had already, by his own assertion, become active in manufacture in 1885—twelve years after 1873—when he had called tariffism humbug. Had he been unscrupu-

lous then, or ill-informed? Either way, was he unscrupulous now, or ill-informed?

6. Coming to simpler issues, let us note how the policy of taxing food imports in the interest of the Colonies was to be balanced by a policy of "compensation" to the consumer in general. Among other things, tobacco and drink were to be more lightly taxed, the smoke and drink of the father being thus judiciously made cheaper while the bread and butter and eggs of the children were made dearer, with the beef and cheese of everybody else. But that was not all. Boots and tools and clothes and cutlery and furniture, and every form of household plenishing, were to be newly taxed. The promise was that for every penny of taxation put upon bread and beef and cheese and eggs and butter a penny would be taken off tea and sugar and tobacco. This relief was to come out of the 10 per cent. on the £140,000,000 of imported manufactures which were to be *kept out*. But if such compensation were necessary, or even expedient, compensation for dearer boots and clothing and napery and furniture was equally so. What was to be done about it? We were never told. The pretence of compensation on foods, an impudent imposition to begin with, seeing that the revenue pledged for it was in the terms of the case never to be received, was further stultified by the obvious implication that losses on other things than foods could not be compensated at all.

7. It is impossible, in this connection, to forget Mr. Chamberlain's achievement in the matter of bacon and maize. While the mounting difficulties of the proposal to tax food were being hastily camouflaged by the benevolent assurance that "the foreigner would pay," Mr. Chamberlain had an inspiration. He would show he had a heart for the troubles of the poor. Accordingly, while adhering to his plan of taxing corn and beef and butter and eggs, that being necessary for purposes of Colonial Preference, he nobly proclaimed that bacon and maize, being parts of the common food of "the poor," would not be taxed.

On those, it was implied, the heartless foreigner was callously resolved *not* to pay. Only on corn and meat and dairy produce and manufactures in general would he reduce his charges when faced by an import duty. So bacon, the breakfast food of the rich and the middle-class, and maize, the food of the farmer's live-stock, were to be immune in the interests of the poor.

8. The mysteries of iniquity were further enriched by the combined handling of the question of imports of raw material. From the first, the tariffists had trouble with the shipping interest, which ingenuously pointed out that if foreign goods were to be shut out there would be fewer inward cargoes, and, further, fewer outward cargoes, since fewer exports would be wanted. It would hardly do to tell the shipowners that of course the exclusion of foreign goods was a polemical fiction, framed to catch votes. There was a better way, to wit: they would gain by the change, because where formerly they imported goods of small bulk they would now import raw material, which would necessitate much more cargo space. For, in that weird propaganda, it was agreed that there was to be no tax on raw materials.

But why? Why not make the foreigner pay on raw materials? Did he apply to them the same perverse principle that he brought to bear on maize and bacon? Would he pay on corn but not on cotton? As a matter of fact, we knew that he actually did at times "dump" on our shores his surplus steel, at underselling prices. And part of the tariffist prospectus was a promise that all such dumping should be prevented in the interest of the home producer! So that when the protected foreigner actually was willing thus to pay, the tariffist was determined not to let him! Steel was raw material for half a dozen great industries—tinplate, shipbuilding, manufactures of machinery and cutlery, and for railways. And *that* raw or semi-raw material was to be so taxed that it should not come in at all!

9. Mr. Bonar Law once found a way out—for the

nonce. Standing for Bootle, he told the shipowners there that under a tariff they would gain, inasmuch as, where at present they frequently had cargoes of steel billets, which took up little space, they would in future carry only cargoes of raw ore, which would take much more space. But Mr. Law, unfortunately, had some time previously addressed an audience at Jarrow, where the ruling interest was that of shipbuilders, who imported steel castings for their shipbuilding purposes. To them, accordingly, as was necessary, he gave the assurance that a tariffist Government, being above all things scientific in its tariff-planning, would never lay a duty on such "semi-manufactured" articles, which were virtually part of the raw material of great British industries. When the attention of Mr. Bonar Law was called to the insuperable difficulty of reconciling his Bootle policy with his Jarrow policy, he took the short and simple course of denying that he had said what he did say at Jarrow. Mr. Chamberlain had shown him how such things could and should be done.

10. The whole discussion of duties on raw materials ended in a network of such contradictory commitments. Free leather was promised, in one town, to the boot-makers; taxed leather was promised, in another town, to the tanners. And as if that were not enough, the tariffist leaders committed themselves further to a general position which might be described as the consummation of the economics of Bedlam in which they were so desperately engaged. From their particular propositions there emerged the theorem that by keeping out—for this time the goods *were* to be kept out and the foreigner once more was not to be allowed to pay—by keeping out £140,000,000 worth of manufactured goods, we should ensure the entrance of an extra import of raw material, to that amount. Now 140 millions' worth of extra raw material means, broadly speaking, 300 millions' worth of extra manufactures; and by implication either the whole or a large part of this extra mass of manufactures was to be exported. Where before we had exported 500

millions, we were now to export some 700 millions; and the next year, getting our extra returns as before in raw materials, we should export 1,000 millions, and so on *ad infinitum*.

The South Sea Bubble was a mild orgy of imposture in comparison with this propounding of a thesis which every man of business knew to be commercial lunacy. After all the vehement allegations that foreign markets were being closed to us, the tariffist prophets were promising an unexampled expansion of exports of manufactured goods to foreign protected markets which were to absorb them and to send us in return only raw materials or necessary food; and as the necessary food could not rapidly expand, the imports of raw materials must.

11. I have said that this was the consummation of the economics of Bedlam in the period before the War. But perhaps, after all, Mr. Bonar Law surpassed even that flight of economic delirium by his theorem of "Large Scale Production" under Protection. The protected manufacturer, he told us, can manufacture on a specially large scale, therefore more cheaply, because he is secure of his home market; the free-trade manufacturer, who is not so secure, cannot so manufacture. Thus the protected manufacturer can undersell the unprotected in all markets. This, he modestly suggested, was an economic law which economists had overlooked. It certainly was. The facts happened to be quite otherwise. The British cotton manufacturer, unprotected in his own market, not only held that easily but undersold in the world's markets the protected American manufacturer who had his cotton at his own door, and could make his factory, on Mr. Law's theory, as large as he liked.

Observe, further, the kind of harmony between this doctrine and the promise of increased employment. Large-scale cheapened production must mean, broadly, the substitution of one large factory for every two or more of those existing; since the expansion of *all* the

existing factories would mean an over-production for which there was no existing market anywhere. Then the result must be a lessening of the employment in the industry as a whole.

12. That thesis of Mr. Law's, perhaps, ought for historical purposes to be bracketed with the other standing plea of the tariffist party, that British goods are undersold in our markets by the sweated labour of all other countries. All the while, the Tariff propagandists were assuring us that all other manufacturing countries were under Protection—an approximation to truth which they rarely attained. Then, on their own showing, protected labour is in general sweated labour. But they were at the same time assuring the British workman that only under Protection could his wages be maintained at a proper level. Thus we end, as we began, in the notation of naked and unashamed imposture.

Always, in the study of the tariffist propaganda of the twelve years before the War, we find that each theorem in turn thus lands itself in absurdities not to be matched in any other field of human discussion—self-contradictions “gross as a mountain, open, palpable,” the obtrusion of which in any discussion *on* business among business men would lead to suspicion of the theorist's sanity, unless the decision impeached his honesty. And yet hundreds of business men subscribed heavily to the propaganda which vended that torrent of fraudulent nonsense. Why?

The answer is simple. They hoped to get their money back under a tariff. They talked of 10 per cent.; but they knew that if they once got a tariff started, it would not stay long at that figure. And they trusted that their profits under a tariff would speedily recoup their outlay on the Tariff League propaganda. That they expected the harvest to last long is not likely. They knew American manufacturers who had “got rich quick” on tariffs, and could expect to go on indefinitely profiting. That was their lure. They knew also, if they knew anything, that the natural resources of Britain were a



mere fraction of those of the United States. But all they needed was a run of a few years' plunder of the British consumer.

For the plundering of the consumer is the simple formula of the tariffism of the United States, the spectacle of which is the great lure to the British tariffist. The American system avowedly provides for the maintenance of producers who stand at a low level of efficiency: if it did not, it could not retain the requisite political support. That necessity was made clear in the early days of the tariff. In 1816 an efficient Boston firm of cotton manufacturers notified that a tariff of 80 per cent. *ad valorem* was sufficient for *them*.<sup>1</sup> But their efficiency was exceptional; and the very objective of the tariff was to protect an entire industry. Therefore the consumer ultimately had to pay a price that represented prosperity for incompetent producers. And from that state of things there is no escape while the tariff lasts. The inefficient producer must have adequate profits. The efficient producer gets the extra profit of his efficiency. The consumer pays all.

In America the process can subsist by reason of the vast natural productivity of her immense areas of corn-growing, timber-growing, fruit-growing, cotton-growing, tobacco-growing, oil and iron and coal-yielding land. Before the Civil War, as we saw, the South bore the main burden: now it is much more widely distributed. But the farmer is primarily the victim; and every new tariff bleeds him afresh, till he "gets back" on the plunderers by extorting taxes on raw imports such as the tax on wool which some years before the World War made it impossible for the mass of the American people to buy clothing with more than 10 per cent. of wool in it. Latterly the bar on immigration has raised wages and maintained a steadier level of production, without gluts. In England, with its far denser population and its relatively inexpandible productive area, with the old outlet of emigration barred, there are simply no

<sup>1</sup> Stanwood, *American Tariff Controversies*, 1904, i, 174.

resources to bear the plunder of a tariff. Of such things the tariffist never thinks.

Certain British manufacturers once urged on a friend of mine, a manufacturer also, but a free-trader, that if he and they could get a 10 per cent. duty on certain imports which competed with their product they could all make their fortunes in five years. And after that? he asked. "Oh, well," was the answer; "in five years' time, of course, all the costs will have risen. But what of it? *We* shall have made our fortunes by that time."

"After us, the deluge!" Thus can some men stake the future of their country on their own immediate profit. And it is useless here to rely on an appeal to moral feeling, either among the tariffists or among those to whom *they* appeal. To their dupes they hold out the bait of a promised gain. The only way to save Free Trade in the near future is to make clear, item by item, to those concerned, that even if some of them should gain for a little while by the process of plundering the home consumer, which is the beginning and end of tariffism, it must in the end spell ruin for national industry in the mass, and that the end cannot possibly be far off.

To realize that modern British tariffism has been, as we have seen, a tissue of chicanery, is open to any intelligent mind that will take the trouble to look at the tariffist case as a whole. No one who makes that study can believe in the good faith of the propaganda save by denying intelligence to the propagandists. But that ludicrous propaganda, call it honest or dishonest as you will, won millions of more or less honestly unintelligent votes in the three elections of the twelve years before the War; and there are many reasons for expecting that the politicians who are at present preparing the way for a general tariff by a piecemeal tariff will ere long try again, in the face of a sorely reduced Liberal Party, to carry their advance so far that the undoing of it will be enormously difficult. Four times in eighteen years they have been defeated on the straight issue, howsoever it was

complicated by others. But in the last conflict they were defeated only in the sense that they were outnumbered by the two other parties; their total vote had fallen very little; and now they are in power and applying their policy of piecemeal protection in advance.

Given a defection from Free Trade in one of the other parties—and this we have seen to be quite conceivable—the whole stress of the defence will fall on a numerically and financially weakened Liberal Party. If that is to succeed, it must be said again and yet again, it can only be by a propagandist effort proportionate to the need. We have seen on what lines of historic proof that propaganda should proceed as regards the past. It remains to deal at close quarters with the hostile propaganda as it actually stands, and as it is reflected in the policy of the existing Government.

## VII

### BRITISH PRETEXTS FOR PROTECTIONISM

OUR present Protectionism stands nominally on the basis of the Act for Safeguarding Industries, passed by the Coalition Government in 1921. That may be regarded as a concession to the Protectionist elements in the then Government, represented by Mr. Bonar Law, Sir Austen Chamberlain, and others; but it was defended on its merits by the then Prime Minister and Sir Alfred Mond, of whom the latter had been one of the ablest spokesmen of the Free Trade Union up to 1914. The choice of the word "Safeguarding," however, may be held to indicate a wish to disavow ostensibly the doctrine of Protection, though it is the most exact available equivalent of that word in meaning.

Taking the Act as it is now being operated, we find that the authorities profess to limit its operation to the cases of

1. Trades "of substantial importance," in respect either of number of employees or of the nature of the goods produced. [The latter qualification seems to imply that it must be what is called a "key industry"; but as the Government has recognized some six thousand possible "key industries," the condition may be regarded as negligible.]

2. Trades producing goods such as are being imported from abroad and retained for home consumption "in abnormal quantities." [Of "abnormal" no definition is offered.]

3. Trades producing goods such as are being offered for sale from foreign countries at prices below those at which they can be profitably produced here. [Here,

obviously, the *principle*, equitably applied, would take in agriculture; but that is never named.]

4. Trades in which, by reason of the severity and extent of such competition, home employment is being or is likely to be seriously affected. [The two latter conditions are separately stated in the official directions, so that one might presumably be held to be decisive without the other, while the preceding condition might operate singly—that is to say, “abnormal quantities” may be pleaded irrespectively of questions of price and cost. But the further stipulations seem to bar such an interpretation.]

For,

5. It is further to be inquired whether “such *exceptional* competition” is “unfair” in respect of—

- (a) Depreciation of currency in the exporting country operating as an export bounty;
- (b) Subsidies, bounties, or other artificial aids;
- (c) Inferior conditions of labour in the foreign country, whether as to wages, hours, “or otherwise”;

and further,

6. Whether the petitioning industry is being carried on at home “with reasonable efficiency and economy”; and

7. Whether the imposition of a duty would *seriously* check employment in any other home industry using the goods in question.

From the specification of those latter three test conditions it would appear to be implied, on an honest construction, that they must be met, over and above the four preceding stipulations. That is to say, a trade seeking protection must show (1) that it is important; (2) that it is meeting abnormal foreign competition; (3) that the foreigner is selling below the price at which the home trade can be made to pay; (4) that home employment is thereby seriously affected or “likely to be”; (5) that the competition is “unfair” in respect of the foreign country’s currency being depreciated, or its wages lower, or its working hours longer than ours, or

of its exports being subsidized; (6) that the petitioning trade is efficiently conducted; and (7) that to tax imports of such goods as it produces would not seriously hurt other trades which use its goods in production.

There is here, certainly, a considerable array of precautions, assuming the intention to be that they shall all be really operative. Further, we have to note that by February of 1926, out of 34 applications made for safeguarding, 13 had been rejected as failing to make out a *prima facie* case; and one had been withdrawn. Yet, in the face of all that, we have the salient fact that the Government has of its own accord re-established the old duties on motor-cars, whereof it is known that the chief competition comes from America, where (1) the wages in that trade are notoriously *higher* than here; where (2) there is *no* depreciation of currency, and (3) no subsidy on car-making for export—in short, none of the specified conditions of “unfair” competition. And this in respect of a trade which was found to flourish, and not to sink, when the duties protecting it were withdrawn by Mr. Snowden’s budget. It is clear, then, that the Government does not pretend to govern its own protectionist action by the checking principles paraded in connection with the Safeguarding Act; and that, if those principles are to be taken as just, the Government’s direct fiscal action is simply corrupt.

Let us further consider the economic implications of the Safeguarding rules. If 14 applications are found to be *prima facie* unsustainable, what are the circumstances which are held to make others valid? It is to be remembered that each decision is the act of a separate Committee of outsiders appointed by the Board of Trade. Is it then to be understood that when applications are sustained, the Committees concerned have found that the petitioning trade has suffered from “unfair” competition, in respect of currency conditions, subsidies, low wages, or long hours? If so, how comes it that those unfair conditions are either not felt as grounds for claiming protection by the multitude of

other trades who are competed with by the industries of the foreign countries thus unfairly advantaged, or are not recognized as proved in respect of certain of our trades in particular? Is it that some of our trades themselves pay low wages or work long hours?

To that problem there appears to be no official answer; and the only inference is that the decisions of some Committees are quite arbitrary. Nor is that surprising. How should we look to Committees to be invariably scrupulous—though some doubtless are—in giving protection to petitioning industries when the Government through its annual Budget openly imposes nakedly protectionist duties without the slightest regard to its official rules for Safeguarding? If I were a member of a petitioning industry which had had its application refused, I think I should say to the Government: "You turn us down, and you protect motor-cars. What was the pressure?"

Not that the petitioning industries have much appearance of good faith. It is on record that the superphosphate industry, which was granted a Committee, claimed to employ 17,000 hands, whereas on inquiry it was found to employ only 2,640. The Committee in this case was alert and conscientious; and it reported that "no satisfactory explanation" was given as to the gross deception sought to be imposed on it. "The complete breakdown and ultimate withdrawal of the very explicit statements as to labour employed in the industry," say the Committee,<sup>1</sup> "could not fail to make us cautious in accepting at face value other figures, unless vouched for by an individual witness from his personal knowledge." Even that leaves us asking whether the statement of *an* individual should in any case be taken as sufficient proof. And other Committees appear to have been much less particular.

What is worse, in the case of the Gas Mantle Committee, dealing with a trade which employs only a small

<sup>1</sup> I quote from the pamphlet of Mr. E. G. Brunner, *The Safeguarding of Industries: A Criticism*, 1925, p. 7.

number of hands, the President of the Board of Trade actually overrode his own published instructions, and decided that because, during the War, the use of gas mantles made possible the withdrawal from gas of certain constituents essential to the manufacture of explosives, the industry should on *that* ground be treated as of sufficient "importance" to be protected.<sup>1</sup> It was then found by the Committee that the protection is necessary. Thus can a tariffist Minister conduct the business of "safeguarding."

Now, if that is to be the kind of consideration on which safeguarding is to be granted, we are back to the old plea for "key industries" in general, which was so much debated during the war and after; and seeing that on the very kind of grounds indicated by Sir Philip Cunliffe-Lister there are some six thousand so classifiable, the whole problem is drowned in absurdity from the start. If we apply a common-sense test, the real "key" industries are those which are fundamental to all others. Of these the foremost are coal, iron-smelting, agriculture, shipbuilding, shipping, and transport in general; and for the safeguarding of these, *nothing whatever is proposed to be done.*

As to the industries held to be immediately vital to the making of munitions, the one rational alternative is either to subsidize Government industries, of which it shall be the business to follow up all the latest discoveries and improvements, or to leave such industries to fend for themselves. Of all possible courses the most stupid is that of sheltering them by protective duties, since that is simply to put a premium on inefficiency. Industries so relieved from all need of enterprise will infallibly lag in the rear of their rivals abroad; and if we are to proceed on the principle of being prepared for the next war we shall have chosen the worst possible course.

If such questions were being honestly faced, the Government would leave the industries to themselves,

<sup>1</sup> *Id.*, p. 7.



appointing experts to examine habitually the output of other countries, and, if it were found that our producers did not keep abreast of the others, to purchase for State needs the best foreign products available, and to publish the facts as to the difference. In that way, our experts would always know where we stand. Under protective duties we should never know. Needless to say, I regard the whole argument for protection by way of preparation for war as a catchpenny tactic. But, such as it is, let it be put to the tests it challenges. If we are still to prepare industrially for war, let it be intelligently done. To reflect on the all-pervading ineptitude of protectionist reasoning is to shudder at the thought of leaving the real safeguarding of the nation in time of danger to minds trained in such a school.

Returning to the question of the purely industrial grounds upon which Safeguarding is proposed to be granted, let us note the incoherence of the pleas officially recognized. You may claim safeguarding if you find you are being undersold by foreign goods. You may also claim it, apparently, if you can merely show that foreign goods of the kind you produce are being sold here in "abnormal" quantity, whether or not you prove that they are underselling yours. You are apparently expected, however, to prove that in respect of competition your goods *cannot* be produced and sold at a profit, for a lower price.

Stopping at that point, let us ask, *How* can the complaining producer prove that his goods cannot be produced cheaper at home? How can he prove that the foreign producer is not simply a better manager? Is it not within the knowledge of all business men that factories at home exhibit many degrees of merit in respect of organization and economy? The agreement of a number—or all—of the firms in a given industry, it may be argued, suffices to prove the facts as to their costs; but there is really no such security. Ten backward firms may testify to their difficulties; while the efficient firms, who can meet the foreign competition,

will be perfectly ready to accept a protective duty, which will *pro tanto* increase their profits.

When, then, the rejection of so many applications entitles us to infer that, for careful investigators, there is no evidence of general advantages enjoyed by foreign competitors in respect of depreciated currency, we must look for standing ground of any kind in an inquiry as to whether foreign competition in particular cases is facilitated by low wages or long hours. But here at once we are met by the facts that such advantages were constantly alleged in the period before the War, when the returns of trade conclusively proved that "sweated" foreign labour (which, be it observed, was always protected) was powerless to compete with our better-paid labour. All such pleading, in fact, is discredited by an overwhelming experience of the higher efficiency of labour in good conditions where there is good management. We are thus finally driven back to the argument from unemployment, which again is familiar.

And here we are at once faced by the fact that unemployment in mass is mainly to be found in industries which in the nature of the case protection cannot even pretend to relieve, namely, coal-mining, shipbuilding, and the cotton industry. In cotton, by common consent, the export trade is vital; and the export trade cannot be maintained save by the general power to meet, more or less successfully, all competition in neutral markets. Shipbuilding and shipping equally demand absolute freedom for maintenance on the scale of the past. There are, in fact, no current protectionist proposals in regard to shipbuilding and shipping at all; and the coal-mines are confessed to be equally beyond the scope of Safeguarding. The safeguarding policy is thus admittedly confined to minor industries, of which the motor trade, which has been seen to have no need of protection, is one of the largest.

The issue now narrows itself to this: Is unemployment in our minor industries in general plausibly to be traced to the competition of goods produced in countries which

do *not* suffer from unemployment? And at once it becomes clear that no such explanation will stand. Germany, the chief European competitor, has suffered from unemployment both normally and in special degrees, under the post-war conditions; and the case of France, frequently alluded to as free from unemployment, is wholly illusory. If we compare the figures of the actual numbers of French workers employed in the staple manufacturing industries, before and since the War, we find that the amount of employment has considerably fallen, the fact being that many workers formerly so employed are virtually in State employment. When, then, we remember the position of French finance in general, the long succession of unbalanced Budgets, the heavily depreciated franc, and the failure thus far to reach any line of betterment, we may spare ourselves debate over the pretence that tariffs save European States from industrial depression as compared with ourselves.

Our unemployment, in a word, is the outcome of the combination of special conditions resulting from or subsequent to the War: firstly, the lowered productivity of Europe, and especially of Russia, which greatly contracts the amount of total trade possible; secondly, the very improvements of machinery made during and since the War, notably in the steel trade, which produces or can produce more, with a decreased number of hands; thirdly, the reduction of the field of profitable employment in coal-mining; and fourthly, the bar set up by the policy of the United States, and in part by our own Dominions, to the emigration which before the War normally relieved the pressure of population on employment. All of those conditions, with the additional factor of heavy taxation, combine to restrict the purchasing power of the mass of the people; though the spectacle of the multiplication of private motor-cars raises questions as to the spending power of the middle classes. It would perhaps not be rash to surmise that the ideal of a standard of comfort which includes a motor-car has a certain share in leading traders to desire to increase their

incomes by means of protective duties on their products. The plain fact that we cannot *all* live by plundering each other is a sufficient general veto on the policy, for those who think in terms of economic facts.

When all are taken into account, the simple results of the Safeguarding process thus far are sufficient to discredit the entire Protectionist case. It is pretty clear that the Committees which refused applications would, had they had the opportunity, have refused others which were supported by other Committees. The refusal of the recent<sup>1</sup> application of the hosiery trade, which was backed by the trade union or unions concerned, is understood to have aroused much indignation. The applicants hold that they had as good a title to Protection as the trades which actually obtained it. And they probably had. And when we note the finding of the Committee to the effect that the alleged unemployment in the trade was heavily exaggerated, the percentage being actually lower than that recorded in trades which have made no application, we realize at once how haphazard is the procedure by separate Committees, and how demoralizing and unsound is the whole permissive policy.

Upon one point the thorough-going Protectionists and the Free-traders can agree. This haphazard policy, granting Protection for a limited period, can only unsettle the trades which get the Protection. They fail to effect the improvements which would be the sound and healthy way of meeting a depressed state of trade; and they tend to become unscrupulous agitators for a fixed tariff that will enable them to plunder their fellow-citizens in perpetuity.

Thus the situation now stands. Protective Duties have been imposed on—

1. Motor-cars, motor-cycles, and parts.
2. Clocks and watches, and parts.
3. Musical instruments.
4. Cinematograph films.
5. Hops.

<sup>1</sup> Written in 1926.

6. Silk.
7. Artificial silk.
8. Lace and embroiderv.
9. Cutlery.
10. Gas mantles.
11. Gloves (leather and fabric).
12. Commercial motor vehicles.
13. Packing and wrapping paper.

Of all these duties, the only one protecting agriculture is that on hops, a culture confined to a few counties; and the farmers in general are thus entitled to claim that while they are made to pay extra on a number of things they have to buy, they get no compensation on what they sell. Further, the Imperial Preference Tariff has been stabilized for ten years to come, thus building up a new interest that is certain to clamour wildly against any return to freedom. At the same time, the Dominion Governments are known to be always arguing for the establishment of an import duty on vital foods and raw materials, such as will permit of an important preference on their products; and if the doctrine of Imperial Preference as a fit and necessary instrument for the conservation of the Empire is to be considered as seriously affirmed on this side, it is impossible to deny that on that principle they are justified in making such a claim.

For how does the case stand on the side of the British advocates of Preference? They insist, first, that the policy is politically vital; and, second, that it is an effective way of increasing the export trade of the mother-country with the Dominions. Yet, so far, they propose only duties on fruits, wines, and tobacco, of which the second applies only to Australia and South Africa, and the third only to South Africa, among the self-governing Dominions. That is to say, only small sections of the populations of those States are to be benefited. Are we to be seriously told that such a policy can in perpetuity count for anything in keeping attached to the Empire Dominions which otherwise would tend to separate from

it? The thesis is as puerile as the arguments for Protection in general.

Sooner or later we must come openly to the issue: Are we or are we not to tax our imports of corn, meat, wool and timber, in order to yield higher profits to the producers of those articles in our Dominions? And then we shall be faced by the alternatives: Either we are to make dearer the food of our people and the raw material of great industries, or we are to tell the Governments of the Dominions that no concern for their retention within the Empire can induce us thus to burden the lives of our people and imperil our whole industrial life. That is the situation that is being prepared for us by the tactics of those of our politicians and traders who parade the ideal of Imperial unity as a pretext for a system of tariffs really desired and designed for no such purpose.

There remains to us the hope that the policy of facing and telling the truth will do more for the maintenance of good feeling between the parts of the Empire than can ever be done by double-dealing. For there are many people in the Dominions who realize clearly enough that the tactics of their statesmen are dictated solely by the pressures of their own ill-conceived fiscal systems. In Canada and in Australia in particular, the tariff means the plundering of the agriculturist, who protests accordingly. Their statesmen, either afraid or unable to reduce their tariffs, seek to pacify their plundered agriculturists by getting the mother-country to set up a tariff under which, by stinting her people in general, she will pay more than formerly for Dominion foods and raw materials in general. Are we to believe that the people of the Dominions are at one in proposing such a policy to the old country?

If it were true, would not the proper comment be that such an imperial unity is not worth maintaining? To believe that the farmers and the proletariat of the Dominions desire to make the proletariat here pay extra for their bread and meat in order to compensate the

agriculturists who are iniquitously burdened by the Dominion tariffs, would be to conclude that the connection is a losing one, fitly to be abandoned. And until the peoples of the Dominions definitely tell us that that is what they ask, we may fitly refuse to believe what their statesmen appear to say for them.

For no one has more plainly exposed the hollowness of the case put by those statesmen than certain journalists have done in the Dominions. The official spokesmen of Australia have accustomed us to the proposition that because the preference given in the Australian tariff to British goods has let through in a year £8,000,000 worth of British trade, we are thus as a nation receiving a "bonus" to that amount from Australia. As if the whole price were profit! An Australian journalist was, I think, the first to call attention to the fact that a bonus, to exist, must be paid, and that those £8,000,000 represented simply the *price* paid by Australian consumers for certain goods. As the price was a reduced one, in comparison with that exacted by the full tariff, the preference was a bonus to those consumers if it was a bonus to anybody. Giving a bonus to their own people, the Australian politicians turn to us and tell us we ought to pay it for them!

Furthermore, if the purchase of 8 millions' worth of British goods by Australians is a ground for demanding a tariff preference, there are other countries better entitled to claim it. And here, turning from the economic to the political and the moral-historical aspect of the case, it is impossible not to be repelled by the ignoble colouring that is cast over the whole imperial relation by the sordid chaffering which our Dominion statesmen, evilly led on by the claptrap tactics of the statesmen at home, are now carrying on year by year. That we owed gratitude to our Dominions collectively for rallying to us as they did in the War, we all spontaneously and gladly avowed. But those who on our side began to argue that for such fraternal devotion we ought to give them a "tip," have done their best to lower a brave comradeship to the

semblance of a mercenary service. How does the case stand? We had European allies from the first; and into the original alliance entered Italy and the United States. Yet even before the War was over our Imperialists were talking of putting our Allies on the same disadvantageous fiscal footing as that of the enemy and the neutral States, by way of establishing a preferential tariff. Brothers-in-arms were to be treated as if we had never fought and suffered together. And the real impulse was the avaricious hope of making the "imperial tie" a means of creating the basis of a tariff which should enrich the tariffmongering Imperialists at home.

Thus for ever does the spirit of protectionist extortion tarnish politics. The Australians and Canadians collectively raised no question of reward when they took arms in our cause, which they felt to be the cause of justice and freedom for all humanity. The thought of a pecuniary reward, by way of so much in the pound or an enhanced price for the apples we buy from a few of them, was the unworthy inspiration of our protectionists; and the Australian party-leaders, uneasily conscious of the injustice they wreak on their own agriculturists, proceed to better the instruction by pretending that they give *us collectively* a bonus when they buy any of our goods. And when, finally, sane statesmanship in this country is forced to decide that it is inadmissible to tax the food of our people in order to right the balances of unjust taxation in the Dominions, there will be a new outcry, a new ill-will, and a new element of disunion in respect of the malice of the wire-pullers who will find themselves baffled.

Some male and female publicists, concerned to pose as high-souled idealists, have sneered at the old crusade of Bright and Cobden—who held it a national crime and infamy to make men and women and children starve by law—as a huckstering enterprise, which made national and international welfare a mere matter of cheapened food and goods. It is lamentably in keeping with much experience to find these vendors of inexpensive ideals



regimented on the side of the gain-getters who in our own day seek their gain by the plunder of their compatriots. Who are the real hucksters in international affairs? The men who urge the nations to trade freely for their own good, or the long-fingered tribe who are ever planning to filch profit from their fellows by evil laws which enrich the few under every sort of false pretext of altruism? Truly, if we are to stress the ethical side of economic problems, we shall have to give short shrift to the men and women who would steal from poverty itself, and who look with indifference on misery made by Act of Parliament.

And indeed the fundamental ethical issues must be faced by the economist when he deals with the facts of legislation. The reaction against the Corn Laws was politically successful in the end because men were made more and more alive to the monstrous character of a law which enriched a class by the misery of the many who were prohibited from buying foreign food. Cobden drove home the economic argument that the farmers were only chronically enriched; and that even the landlords, who secured gains when the farmers went bankrupt, were ultimately insecure, in respect of those very bankruptcies. But it is probable that the burning eloquence of Bright and W. J. Fox, who drove home the moral aspect of the whole iniquitous business, counted for most with the mass of the nation at the polls. Let the tax-filchers of to-day beware lest there is let loose against them a force of indignation which will put them in as evil an odour as that which covered the landed interest of a century ago.

Meantime, it is for the economist to make clear the essential collective folly of the protectionist case, which poses as an imperialist case. No preference that will satisfy the political needs of Australian and Canadian statesmen can be given without the imposition of duties on vital foods and raw materials; and these our Ministers have so far declined to promise. They know that at present they dare not propose them. The tariffists

behind them are indeed indifferent to the taxation of the people's food; but what they want is a tariff on the imports of semi-manufactured and manufactured goods. They will not consent to food protection unless they get a general tariff. And even on the Conservative side there are not a few who begin to realize that a general tariff would be the beginning of the end of British prosperity.

It is important to make the sequences as clear to them as possible. The normal excess of imports which tariffists regard as productive of unemployment may be classified in mass as payment of (1) the interest earned by British investments abroad, which are still reckoned at some £2,500,000,000; (2) the earnings of British bankers and insurance companies; and (3) the earnings of British shipping—the last item being reckoned at £90,000,000. That all these forms of income cannot possibly be imported as extra raw materials we have already seen. There is no possible market for such an immense immediate excess of fresh manufactures; and if there were, it would only elicit, in terms of the protectionist ideal, a much greater excess of imports of raw material, representing a continuous annual increase of manufactured exports at the rate of something like 50 per cent. per annum—a thing impossible.

If, then, the excess imports (what the *Daily Telegraph* still calls the adverse balance of trade) are to be kept out, it will simply mean the annihilation of a vast mass of British capital; and the annihilation of the bulk of the carrying earnings of the British mercantile marine—that is to say, the disappearance of the bulk of that shipping from the seas. The desired rise in the prices of manufactured goods would then be concomitant with the annihilation of the purchasing power represented by the incomes accruing as aforesaid. It is difficult to conceive even of a tariffist intelligence which could see in that state of things a plausible prospect of industrial prosperity.

The tariffist will presumably fall back on the concep-

tion of a tariff which will *not* exclude the earnings of the British capital and shipping and banking, but will simply raise the price of all imported goods classifiable as manufactured and semi-manufactured. And let it be always remembered that a large part of the goods in question is only semi-manufactured, that is to say, is virtually the raw material of a number of British industries. One of the largest items in the class of wholly or mainly manufactured goods is that of oils, fats, and resins, which for the month of October, 1926, amounted to nearly  $4\frac{1}{2}$  millions; the next largest being "non-ferrous metals and manufactures thereof" (that is, in the main, metals not yielded by our soil), of which the October import was nearly  $3\frac{3}{4}$  millions. Add the nearly 3 millions of imports of iron and steel and "manufactures thereof," exclusive of all finished manufactures such as machinery, and it becomes perfectly clear that a tariff on such goods in general must inevitably raise the cost of production of a multitude of articles in universal use.

It will perhaps further be recognized by thinking people that, to say nothing of the extra burdens thus laid on all consumers, the agricultural class, itself clamant over its present difficulties, will in particular be heavily disadvantaged, while, on the assumption that the Government will decline to tax vital food imports, it will gain nothing in compensation. The situation in question is so impracticable that the devotees of imperial preference are always being driven back to the cry of protection for British agriculture, and to the proclamation of the ideal of a self-feeding country, which shall be able to face with equanimity the prospect of another World War. It may be well, then, to set forth clearly the implications of that ideal.

The ultimate potentialities of agriculture need not in this connection be discussed. Whether or not new science can indefinitely increase the food-yielding powers of the earth, and whether or not England, in particular, could be made to yield larger crops by better farming as agriculture now stands, it is broadly certain that progress

in that direction is a matter of capital and labour; that English labour is on the whole less intensively applied to the land than is the case in such countries as Denmark, Belgium, France and Germany; and that either labour must be voluntarily applied on a large scale or capital must be applied on a new system to make English agriculture a more attractive commercial undertaking than it is at present.

And, whatever may be supposed to be attainable by any reform of the land laws, no reason whatever has been shown for believing that a fiscal system which cancelled capital wholesale in other directions, by curtailing alike imports and exports, would leave any important quantity of capital available for new developments in agriculture. Whatever may be alleged as to the internal gains from Protection in the United States, France, and Australia, it cannot possibly be pretended that their curtailment of imports is accompanied by marked expansion of exports of manufactures. A curtailment of manufactured exports in England, then, may be taken as one of the sure sequences of a curtailment of imports, whether of foods or of manufactures. That is to say, a protectionist England must have a greatly reduced industrial population, whether or not it can feed them by its own produce. And as nobody can be supposed to claim that all the disemployed sailors, shipbuilders, railwaymen, and artisans generally, can be set at work on the land to feed themselves, the argument from unemployment is clearly not available for the fiscal policy under consideration.

But perhaps its fundamental insanity may be more clear when we realize the emptiness of the dream of a self-feeding England. At certain periods, in the past, we have seen in our survey, England *was* normally self-feeding. Even under the Corn Laws, in years of abundance, there was enough for all, and prices ran low. But at no period in European history has any country, however normally fruitful, been long immune from dearth. Good years—which are bad for the farmers—are followed

by bad years, in which the farmer profits by famine prices, and even protectionist systems have to let in foreign corn to avert general starvation. Under the Free Trade system, abandoning the regimen of law-made scarcity, we have had our supplies from all the harvests of the world; and if by any means we *could* so alter the situation as to be visibly on the way to feeding ourselves, we should at once begin to cancel the available sources of food supply in emergency.

The great grain-producing countries of the world carry on their corn-growing in the expectation of selling in the world-market. Dearth may overtake any one of them: at times it overtakes two great areas in one season. But so far, I think, there has never been world-dearth in modern times; and Free Trade England has always had its bread at the world-market price. But if it should become an established fact that this great market is normally closed to the producers who formerly supplied it, those producers will of necessity curtail their sowing.

Now, the ideal of a self-feeding England is commonly recommended by pictures of the deadly danger in which we might stand in a new World War, with foreign supplies cut off. But a very little reflection will reveal that a self-feeding England could be in a much worse position in such a war than Free Trade England ever was or could be. In the World War through which we have gone, our shipping, which is the basis of our naval power, enabled us at the very worst stress to bring in the food required to feed us, when some of our European allies and our enemies alike were suffering desperate hardship. The idealists, as usual, forgot the essential fact that Germany, in becoming industrial, had ceased to be self-feeding; and that France had to rely on us for the maintenance of her supply of meat. Germany, remaining industrial, remains incapable of feeding even her reduced population. It was naval power that made the decisive difference; and our naval power, once more, depends on our commerce.

We are arguing out the issue on the assumption that another World War may come about. My own view is that, if it did, fiscal questions would cease to have any importance, for civilization itself would be in process of dissolution. The hypothesis is, in fact, outside of practical politics, being the kind of speculative ground haunted by men who have no affinity for practical politics. But it may still be worth while to make clear the completeness of their incompetence. For we have only to take into account the plain possibility that the imagined World War should come about for a self-feeding England *in a year or years of dearth* to realize the utter folly of the entire argument. A self-feeding England, at war in a time of dearth, with world-supplies restricted by its own action, and its naval supremacy destroyed by its anti-commercial fiscal policy, would perish in agony as no modern State has yet been seen to do. And the thought that the contrivers of the policy of destruction would probably be hanged on the remaining lamp-posts, before the final crash, offers no prospective consolation to those whose love of country runs on lines of sanity.

Yet another economic reflection may occur, to those capable of it, in the face of the existing spectacle in the United States. There, the South has just (1926) reaped the greatest cotton crop in history. And what is the result? Utter dismay throughout the country! The fall in cotton prices, we learn, promises to reduce by 30 per cent. the entire income of the Southern States; and the entire Union is in a state of sympathetic gloom. A few months ago, the United States figured in their own eyes and in ours as the most prosperous community in the world; and our tariffists were as usual pointing to them as a proof of the triumphant efficacy of tariffism. Now they are reduced to a state of mourning by—what? *The unexpected bounty of Nature!*

To note that this pecuniary calamity is deplored in terms of the fact that the Southern States undergo a temporary 30 per cent. reduction of income, is to be moved to ask anew whether Protection does not actually

lower human stamina. A reduction of more than 30 per cent. of income has been undergone by many millions of human beings in our own day, and in many previous generations, with incomparably less lamentation than is now going on in the United States.

Various expedients are being considered by the American Government for easing the situation. Storage of the superfluous cotton is the most obvious. The suggestion of an appeal to European buyers to make long advance contracts to purchase at fixed prices can hardly survive the comment that if next year American enterprise should contrive to corner the cotton crop it will do so, at any expense to the European consumer, as American cornerers have done or sought to do in the past with other crops, before it happened to them to shriek their indignation at a rise in the price of rubber brought about by English capitalists who for many years had been impoverished by gluts.

But the special lesson for us is the hollowness of all ideals of prosperity which rely on the repression of the prosperity of other States. Here the economist gives the moralist his cue, instead of taking the cue from him. It is only in the ratio of their readiness to live and let live that industrial States can steadily prosper. Had the European countries not been hamstringing themselves since the War by their zeal for injuring each other, whether by Reparation burdens or by tariff walls, and had not the United States further worsened the situation by their tariff walls against European imports in general and British in particular, the world's demand for cotton to-day might have been nearly twice as great as it is, and the American loss from low prices would have been largely if not wholly averted by the greatness of the consumption even at reduced prices. To have poor customers will never be the way to be rich by trade, whether for English farmers or for American cotton-growers.

As it is, if the evil of an excess crop of cotton in America is to be counteracted by a greatly restricted

planting, there will ensue there that very evil of unemployment which the tariffists are always pretending to avert by their restrictive devices. And though the vast and manifold resources of the United States may make easier the absorption in other directions of the labour thrown idle, the whole population of the South, in so far as it lives by production from the soil, will have a new experience of the iniquitous pressure of a tariff which can do nothing for the agriculturist proper save making him pay double prices for all the manufactured goods he has to buy, and even for his bread, inasmuch as that is made costlier by the standing inflation of all costs of labour and transport.

It is verily not through the careful study of American or any other conditions under a tariff system that the honest citizen of Britain will be led to adopt the tariffist creed for his own country. He may be allured by false generalizations, proceeding on inadequate information, as the merely self-seeking manufacturer may be allured by the spectacle of the multitude of American millionaires produced by the tariff system; but honest study of all the relevant facts can never so avail for the honest citizen.

When all is said, we are faced by the broad fact, now proclaimed by American writers, that the family with an income of £1,000 in the States is harder put to it to live in comfort than an English family with an income of £500. And that, finally, forces a heavy qualification of the common proposition that Free Trade *within* the United States is a main explanation of their prosperity. They certainly suffer less loss than they would have done if they had Inter-State tariffs—which would have been for them the logical policy if they believe that tariffs are really causes of prosperity in themselves. But internal Free Trade cannot and does not save them from the inflation set up by the external tariff, which infallibly imposes artificial cost on the whole mass of services, and keeps their unprotected agricultural population permanently burdened by the tribute they are forced to pay to



protected industry. To make life hard for the many is the incurable tendency of all Protectionism, and it reveals itself in the United States, in the midst of the greatest plenty on the planet.

## VIII

### THE SITUATION AND THE PROSPECT

It is within the recollection of all who think it necessary to keep political facts in memory that when in 1922 Mr. Bonar Law became Prime Minister, he had won the general election under a pledge to cultivate "tranquillity," and to leave the existing fiscal system undisturbed. He continued to believe, he explained, that Tariffism was the best fiscal system; but he avowed also the conviction that to alter it in the existing circumstances would do more harm than good. When, on Mr. Law's resignation, Mr. Baldwin assumed the premiership, he avowedly stood by Mr. Law's pledge. Within six months, however, he dissolved Parliament with the announcement that he found himself unable to govern under Mr. Law's pledge, inasmuch as unemployment was increasing; and he could not undertake to cope with it save under a system of tariffs.

Seeing that the figures of unemployment at the moment of dissolution were actually lower than they had been when Mr. Law gave his pledge and when Mr. Baldwin endorsed it, it was impossible to believe that his official declaration gave the true or complete reason for his course. Speculation was accordingly divided between the inferences (1) that he had been forced to a dissolution by the "diehard" tariffists in his Government, he recognizing that only by the inevitable defeat could they be brought under control, and (2) that he really hoped to strengthen his position. Leaving that matter undecided, we have to note the historic fact that he was defeated, a number of electors who had voted for "tranquillity" refusing to vote for Tariffism.

It necessarily followed that after the "transient and embarrassed" administration of the Labour Party had collapsed, the Tariffist Party subordinated all tariffist propaganda to the more popular undertaking of broadcasting the Bolshevist Letter, giving something like pledges that if they were enabled to save the country from Communism they would do nothing about tariffs for the present. Thus has arisen a situation in which a Tariffist Government, cowed by the reverse of 1923, uneasily goes on its way with a hobbled Safeguarding Act, which is perhaps even more offensive to Protectionists than to Free-traders, in the full knowledge that its tariffist backers, who are the only section of the Conservative Party with any positive program whatever, are looking forward to the day when they can cast aside the *camouflage* and the controls of the present system and make another fight for a General Tariff pure and simple. What is the "prognosis," as the doctors would say, of such a case?

There are obvious grounds for hope on the part of Free-traders, even under the occultation of the Liberal Party, the one party historically pledged to that cause. As matters now stand, it would seem an act of great temerity on the part of Mr. Baldwin to risk again such a defeat as befell him in 1923. There is on his side no propagandist force comparable to that embodied in the person of Mr. Chamberlain twenty odd years ago. The tariffist cause is still without a single economist of standing on its side, for the high status of Sir William Ashley<sup>1</sup> is that of a social historian, as was that of the late Dr. Cunningham, not that of an economist. And when we turn to the recent literature which professes to state the case for Protection and against Free Trade, we have certainly no intellectual cause for disquietude. Let us take two samples.

In a work courageously entitled *The Free Trade Fall*, issued in 1926, Mr. Francis Francis undertakes to demolish by force of invective and invention, rhetoric

<sup>1</sup> Written while Sir William was alive.

and rhodomontade, alike the historic and the economic case for Free Trade. It would be extremely difficult to decide which of the two subjects, history and economics, he knew least about. My own inclination would be to sum up that he knows a little of highly falsified history, and of economics nothing at all, which leaves the problem still obscure. Beyond an occasional footnote, visibly borrowed, his book offers no statistics whatever. We are invited to come to a momentous conclusion on an issue involving, for sane men, much study of statistics, on the strength of the voluble asseverations of an impassioned ignoramus, equally given to calumny and to prophecy, and knowing as much about the nature of commerce as he does of its history. Let me illustrate.

1. In his chapter entitled Free Trade, Mr. Francis says of "the earlier Cobdenites" that "theirs were comparatively primitive times when men still thought in terms of hand labour. The potentialities of labour-saving machinery, of large-scale production, rapid transit and production were unsuspected by them. . . . Originating in such blindness, a rigid system like Free Trade was bound soon to become obsolete. It became so directly the depression in trade which inspired the agitation began to pass away." Comment here seems superfluous.

2. Comment, however, is exacted by this (p. 63: repeated on p. 96): "Mr. Cobden himself declared, 'You might as well tell me that the sun will not rise to-morrow as tell me that foreign nations will not have adopted Free Trade in five years from now.'" And the comment must be that this is a familiar forged quotation, a gross historic falsehood, originated in modern times, adopted by Mr. Chamberlain, and many times denounced and exposed by Free-traders, of whose action Mr. Francis, presumably, is wholly unaware. We all knew that no study was ever required to make tariffism acceptable to tariffists: but a new writer on the debate exhibits a somewhat excessive faith in tariffist-gossip when he thus floats afresh a fifty times exposed falsehood.

3. Our veridical authority tells us (p. 38) that "not the least nauseating characteristic of the Free Trade apostles was their sanctimonious pretence of labouring for the benefit of humanity, when the motives which gave force to their agitation sprang from a purely selfish conception of the manufacturers' purely business interests."

Every student of the history of the Corn Law struggle knows that the great bulk of Cobden's polemic was devoted to showing the farmers that they were the chief victims of the system; and that his chief successes lay in convincing the farmers and the more intelligent protectionist statesmen.

4. Speaking of the state of the factories in the Corn Law period, Mr. Francis thoughtlessly admits that they were very bad under Protection, but proceeds to say (p. 39) that "various Acts were passed gradually ameliorating these conditions. Curiously enough, all were passed by the often-reviled Tories. The benevolent Liberals only opposed them." As usual, Mr. Francis is falsifying history. A Factory Act was passed by the Whig Ministry in 1833; and the decisive Factory Act of 1847, prohibiting the employment of women and children in factories for more than ten hours a day, was passed under the Government of Lord Russell. It is true that in 1844 Cobden described the Factory Bill of that year as the result of a dishonest Tory agitation which the Tory Government hoped would be defeated in the House; but even then he did not vote on the measure; and in 1843 he had actually supported the education clauses of Graham's Factory Bill of that year, which were defeated; while in 1847 he was abroad when Lord Ashley's bill was passed. Nor did he ever deny that children must be legally protected.

5. Mr. Francis hopes to win working men to Protectionism by reciting how Cobden denounced certain Trade Unions in his youth, typified by those of Sheffield, as "founded upon principles of the most brutal tyranny and monopoly." If Mr. Francis knew anything of

industrial history he would know that that was perfectly true. He is, of course, unaware that Cobden wrote in 1847: "I long to live to see an agricultural labourers' strike for wages!" But would he have quoted it if he had known? That the vastly improved condition of industrial life under Free Trade was the determining cause of the immense improvement of Trade Unionism in the second half of the century, a mind like that of Mr. Francis is incapable of understanding. Cobden's position was, in fact, that of Bright, that the workers themselves should resolutely demand the reduction of the hours of labour instead of leaving the matter to parliamentarians who did not understand the problem in detail.

6. But let us take Mr. Francis in his economic capacity. His one noticeable statistical note, avowedly taken from a work by Mr. St. Clair Grodona, consists of these memorable allegations:

"In the four years 1919 to 1922, for the 61 per cent. of wheat which reached us from foreign sources we paid £1 *os.* 5*d.* per cwt. For the 39 per cent. sent us by the Empire we paid 17*s.* 5*d.* Buying from foreigners cost us £23,000,000 more than we should have paid in buying from the Empire.

"In 1922 Australia exported 118,000,000 bushels of wheat, or more than half the amount consumed in Great Britain. Only 35 per cent. of this came to us.

"In 1920 to 1922, over 2,500,000 cwts. of tinned meats were imported here, 73 per cent. of which came from foreign sources at £6 11*s.* 9*d.* per cwt. The remaining 27 per cent. was bought from the Empire at £5 12*s.* 10*d.*

"During 1920 to 1922 foreign countries supplied us with 21,000,000 cwts. of frozen beef (or 73 per cent. of the total amount that we imported) at £4 1*s.* 9*d.* per cwt. Meanwhile we were paying to our own kith and kin £3 6*s.* 0*d.* per cwt. for *similar* supplies. Had the whole amount come from the Colonies, we should have saved £10,000,000.

"From 1919 to 1922 inclusive we paid foreigners £61,000,000 more than we should have paid to the Colonies for *the same foodstuffs*; and it must be remembered that Dominion suppliers take British goods in payment for their supplies to an extent which makes our trade with foreign countries look absurd."

Observe that Mr. Francis is making these allegations in regard to British purchases from the Dominions of

foods of the same qualities as we purchase from foreign countries. In one paragraph, it is true, he uses the word "similar"; but in the last he expressly says, "the same foods," which can only mean "foods of the same sort and quality." And in the passage in his text (p. 102) to which this note is appended he writes that "we purchase immense quantities of raw materials and foodstuffs from foreign countries, *which* we could purchase for considerably less money from the Colonies." That means materials and foodstuffs of the same quality, or nothing. If Mr. Francis believed that the qualities were seriously different he would be chargeable with deliberate fraud.

Let us see now what he is asserting. He has contrived to indict for sheer commercial imbecility at once the whole body of the Dominion producers of the things in question, and the whole body of the British buyers. The Dominion producers, he assures us, sell us immense quantities of wheat for 3s. less per cwt. than we are paying for the same quality of wheat to foreign producers; while we are paying for 61 per cent. of our imported wheat 3s. more per cwt. than we could get it for from the Dominions, since they have 65 per cent. of their output remaining after they have supplied our demand.

And so with our imports of tinned meats. Our self-sacrificing Dominions sell to us at £5 12s. 10d. per cwt. the same quality of meats for which we pay 19s. more per cwt. to foreigners. So again with our imports of frozen beef, of which in turn we buy exactly 73 per cent. from foreigners, and 27 per cent. from our Dominions, paying the haughty foreigner £4 1s. 9d. for exactly the same kind and quality of frozen meat as we can get from our altruistic kinsmen at £3 6s.—that is, 15s. 9d. less.

It would weaken the issue to ask at this point whether perchance Mr. Francis is astray over his statistics—whether, for instance, our frozen meat imports from foreign countries are mainly beef, and those from the Dominions mainly lamb and mutton. What we are studying is the spectacle of the mind of Mr. Francis: the

kind of thing he believes, and expects his fellow-tariffists to believe. He visibly and fiercely believes that the commercial men of the old country and the Dominions are on a common level of advanced imbecility; that one set patiently sell in the British market for 16s. or 17s. or 19s. less per cwt. than they could get from the foreigner, while the besotted Britisher goes on ruinously buying from the foreigner when he could be supplied with the same thing by the Dominions at ever so much less.

I will not trifle with my audience to the extent of asking whether they can believe these things. They have spontaneously realized that all the imbecility in the business is incarnated in Mr. Francis; to whom, I take it, the business men of the Dominions and the mother-country would explain, if he consulted them in private, that he is not yet in possession of sense enough to come in when it rains, as they say in America. I say advisedly, "if he consulted them in private." I will not answer for it that for platform purposes the Dominion producer would not fool Mr. Francis to the top of his bent; and what a tariffist at home would do in the circumstances it is not for me to say. But I should fancy that, on reflection, both would realize that it is unsafe to use for propagandist purposes the mental methods of Colney Hatch, and to plan to win votes by a line of asseveration of which the folly would be likely to be detected by the most uninstructed women-voters as readily as by all men who know what business means.

Such voters would tell Mr. Francis that traders in general are not suffering from the General Paralysis of the Insane. The business men would tell him that *if* Australia sells wheat to us at 17s. 5d. while we are paying £1 os. 5d. to others, the wheat *cannot* be of the same grade; and that *if* Australia sells more wheat to other countries than to us, the explanation must be either that Australian wheat serves our purpose only up to a certain point, or that the countries which buy from her in greater quantity are so situated (for instance, on the Pacific coast) that they *have* to pay more for it than we, with



wheat offered to us from all parts of the world, are called upon to pay. As a matter of fact, a difference of *three-pence on the quarter*, for wheats of the same grade, would turn the deal in any market. And as one business man has put it, in a communication which has reached me: "For any man to say that we paid £1 os. 5d. per cwt. to foreign countries and only 17s. 5d. to our Dominions for the same grade of wheat, is to accuse the importers in this country of stupidity beyond imagination."

To which it is warrantable to add that the real "stupidity beyond imagination" is embodied in Mr. Francis, the self-constituted champion of preferential tariffs and the prophet of "The Free Trade Fall," who propounds concerning our imports of tinned meats and frozen meats the same delirious doctrine. And you may ask me whether, in the face of such antagonism, it is worth while to trouble ourselves about the risk to Free Trade. If this is the latest output of tariffist intelligence—this and the old chicane of falsifying the words of Cobden and blackening the character of Bright as a slave-driver who insisted on the longest hours for his workers, and alleging that in 1846 they knew nothing about labour-saving machinery—if that is what we have to fight, is it possible that we can be beaten? Is the British electorate capable of capitulating to such paranoia as this? If Mr. Baldwin were to propound it at a meeting of the Primrose League, he would be hooted.

I freely confess that the triumph of Mr. Francis seems unlikely; and I grant further that the only other recent output of tariffist doctrine in book form that I have met with does not seem any better calculated to convert any save intellectual defectives. Before the portent of Mr. Francis Francis, in the same year, there appeared the work entitled *The Empire in Eclipse*, by Mr. Richard Jebb, M.A. The prophets of Protection love thus to dip their primitive pencils "in the gloom of earthquake and eclipse." They set out, like the Fat Boy in *Pickwick*, to make our blood run cold. But the chances are heavily against the success of Mr. Jebb. It is much to

be doubted whether his jeremiad of 375 pages will be patiently perused by the most devoted disciple of imperial preference; and it will certainly not be assimilated by Mr. Baldwin, who there comes in for about as much criticism, passed more in sorrow than in anger, as even the Liberals, whose "prejudice" Mr. Jebb deploras as hopeless. His pulse does not keep time with that of Mr. Francis. He is calmly, honestly, dismally decorous.

His tearful task is to labour painfully through the long sad story of the infertility of Imperial Conferences; to show how everything comes to nothing in these matters; how nobody will face the handwriting on the wall; how Tories are no more trustworthy than Liberals; how the Eclipse goes on deepening because nobody will bravely undertake to put adequate taxes on food and raw materials in order to save at once the British Empire and the British farmer. To do him justice, it should be noted that he wants retrenchment, and deploras (p. 128) the "ruinous" burden laid by our recent expenditure "upon the industry of a country which had staked its economic existence upon its ability to beat all competitors in the markets of the world." Mr. Jebb entertains no such industrial aspirations. He would stake all on an agriculture which can face no competitors, and is to be maintained by the protective tariffs of the golden past.

But, as he gloomily confesses, the Conservatives have failed him. The election of 1923, he declares (p. 177), "found the Conservatives wholly unprepared for the task of commending their leader's new policy to the country. Many of the candidates were quite incompetent to argue the fiscal question." It is to be feared that some of the impeached candidates, if they read Mr. Jebb's book—which I admit to be unlikely—will indignantly retort the charge. For there is not a scintilla of economic argument in the whole thing. Mr. Francis uses a little of the economics of Bedlam; but Mr. Jebb is determined to know nothing of economics of any sort. For him all that is but an ingredient in the Eclipse, a lamentable contemplation of prospects from which the patriotic

imperialist ought once for all to turn his face away, hurrying back to the dear old days of dear bread and disappearing industry, with a smiling—not to say a grinning—Empire looking on.

Well, this sort of thing does not seem likely to sweep the country either. If Mr. Francis, at a Primrose League meeting, might conceivably raise a riot, Mr. Jebb could only move a sighing audience to slip silently away, seeking restoratives. And I admit that there is some plausibility in current rumours that the Conservative Party, disconcerted by the manner and the matter of the latest prophets of Protection, is to some extent inclined to drop the whole tariffist business. Many of its members are said to have been thankful when the Tariff Reform League was wound up; certainly few seemed to protest when Mr. Bonar Law proposed a policy of tranquillity; and many did protest bitterly when Mr. Baldwin suddenly decided to play the part of David Leslie at the Battle of Dunbar, coming down to attack the Ironsides on their own ground. Leslie, we remember, was coerced by his preachers; and some say that Mr. Baldwin was propelled from behind by *his* Diehards. However that may be, it is the historic fact that many Liberals spontaneously cried, "The Lord hath delivered him into our hands!"

Conservatives who have not adopted the modern canticles about letting bygones be bygones remember these things, and may well shudder at the thought of a new campaign, fanned by the screams of Mr. Francis and the groans of Mr. Jebb. Then, too, we have the important lead to sanity given by the recent (1926) manifesto of the bankers and business men of our own and many other industrial countries, warning the nations that to wage trade as if it were war is to work impoverishment for all the world. Even *The Times* gave that manifesto a mumbled blessing. And even in the United States, where all men knew that the tariff is too deeply rooted to be removed in a generation, there were not a few bankers and eminent men of business who

avowed that the doctrine of the manifesto is good doctrine, not only for Europe but for America, where the tariff, as we have seen, is maintained in the perfect expert knowledge that it enriches much ill-managed manufacturing industry at the cost of the great natural resources of the country, operated by the tillers of the soil, and of all who live by salaries.

Have we not the testimony of the foremost man of business in the United States, Mr. Ford? These are his words:

"It is a noteworthy fact that none of the really great businesses of this country—those which strive to do their utmost to render service—have arisen because of the tariff or stand in the slightest need of its protection. Those businesses which claim that they need tariff protection will usually be found to be backward in method, producing poor stuff with ill-paid men. . . . One of the great steps which the United States might take would be to wipe out all tariffs on imports. That would be a real contribution to the world, and also it would be a real contribution to American industry."<sup>1</sup>

And American journalists who avowedly realize that the tariff is for our day irremovable, also avow the belief that one day the United States will come into line with economic science, and make trade free.

So, when my esteemed optimistic friends tell me that all things are working together for good, and that in Germany at this moment there is a strong push for Free Trade, I do not deny that there is plain ground for hope. But hope is a thing that has long been associated in human experience with the participle "deferred." I have been showing you in these papers that the world, in the historic retrospect, has revealed an immense capacity for going wrong. And I would now invite you to face closely the *per contra*, the grounds for apprehension, the reasons for keeping our powder dry and our organization ready.

In the first place, nobody supposes that the declaration of Mr. Ford can in our day influence the great grafting

<sup>1</sup> From *To-day and To-morrow*, by Henry Ford and Samuel Crowther, cited in the *Westminster Gazette*, September 9; 1926.

system of American tariffism to let go its clutch on the nation's wealth. Mr. Mellon, the eminent financier, counters him with an assurance to the American people that by manufacturing at artificially high costs they maintain industrial prosperity. In the second place, we heard much in 1918 and 1919 of the strong disposition of far-seeing men in Germany to set up Free Trade. And that came to nothing. In the third place, tariffism holds a firm grasp on the politics of Canada and Australia, whose politicians, backed by Mr. Smuts in South Africa, keep up a constant appeal, in the name of imperial patriotism, for imperial preferences, thus playing into the hands of our tariffists, who work the imperialist cry for all that it is worth to gain their own ends. In the fourth place, our own politics have become more unstable since the War than they had ever been in living memory; and it is impossible to calculate the possibilities of a well-financed propaganda.

I have urged all along in these surveys that subsidized propaganda for tariffs is an economic factor to be recognized in the exposition of Political Economy; that our own country won Free Trade as the result of a long-sustained and costly propaganda, led by exceptionally gifted men; that far more costly propaganda for tariffs in other countries has there built them up and sustained them; and that the organized outlay of the Tariff Reform League in the twelve years before the War was far greater than the direct contributions to the propaganda of Free Trade, and was fought mainly by the funds of the Liberal Party as a whole, in its period of greatest strength. And how do the political and the financial positions stand to-day?

Let us suppose that the dream of Mr. Bonar Law in the past, the hope of two "bad winters" on which he confessedly banked, is realized, and unemployment goes for the time from bad to worse: how shall we stand then? In such a state of things, what will be the defending forces against a cry which will appeal to the unemployed in mass? Even if the Conservative Party is considerably

leavened by distrust of tariffism, what reason have we to believe that it cannot be swayed by a determined push as it was swayed by the push set up in 1903 by Mr. Chamberlain? The very fact that the Safeguarding Act has given no satisfaction—save indeed to the more or less humble industries which have obtained licences to pick pockets—will count in favour of a movement for a much more effective policy; and if manufacturers should provide the funds as they did in the past, we should have to face a well-financed campaign, steering well clear of the gloomy gospel of Mr. Jebb and the delirations of Mr. Francis, but employing the well-tried cries which won myriads of votes even before the War.

What will be the resistant forces? It used to be reckoned that the Labour Party would certainly stand with the Liberals for Free Trade. But it is matter of common knowledge that the Labour Party is being habitually hustled by the Communist sections, who have of late been the most active and persistent forces in the Trade Union world; and the Communists of Russia, to whom our Communists look for light and leading, have set up the highest tariff walls in Europe. The Labour Party's leaders wilted under the Communist pressures in 1923, to their own undoing. Would they, or could they effectively, resist a Trade Union movement for tariffs when some of their own front-bench men, and not a few of their so-called *intelligentsia*, are actually committed to Tariffism?

And now we come nearer home. The financial and the political future of the Liberal Party is at this moment very much under discussion. Supposing that the policy of placing the leadership under the control of, let us say, the chief fundholder, should be adopted, with the stipulation that the primary and chief call on the fund is for support of a certain policy of Land Reform, what exactly are the chances of financial support from that quarter to the defence of Free Trade?

I put the question in a scientific spirit, as one of applied political economy, so to speak. The recent

appearance of the Bankers' Manifesto, so called, was greeted by the fundholder in question with a characterization of it as a manifesto by money-lenders; which does not seem to be an expression of approval. A series of recent allusions, further, to the quantity of foreign meat imported by the United Kingdom, with the implication that that is a disquieting if not a deplorable phenomenon, have raised in some minds a very natural wonder as to whether the Land Policy may not one day take on some Protectionist features. I say nothing of by-gones as such; but it is difficult to say whether the Safeguarding Act is or is not a by-gone. Some of these modern political terms are sadly in need of precise definition.

And there is yet another consideration. We all know the man who is "a Free Trader but——" We have Mr. H. G. Wells, now understood to be revealed as a Liberal in grain, still understood to be committed to the doctrine that since the War "we are Free Traders but——"; the profoundly incompetent proposition that there is no good in Free Trade while other countries remain tariffist—the doctrine which Mr. Baldwin welcomed, quoted, and endorsed, deep answering unto deep. And finally, we have the sinister spectacle of the unscientific Liberals who are avowedly undisturbed by the prospect of an experiment in tariffs; they being confident that if a tariff should be tried and found not to answer, it will as a matter of course be abandoned.

I have called this the most sinister spectacle of all, for it is the attitude of men who can learn nothing from history. For what will be the procedure of a tariff so accepted? It will infallibly be imposed, in the first instance, for a term of years—in all likelihood, ten at the least. For who will want a tariff which may admittedly be taken off in the next year? What the tariffist, and equally the manufacturer who did not want a tariff but will have to adjust himself to it—what all traders will want is fixity of conditions for a period ahead. And should a tariff, after a trial of ten years, be declared by its opponents to have failed; should its supporters be

actually faced by a state of trade depression and unemployment, what will be *their* attitude? In all practical likelihood, the attitude taken up again and again by tariffists in other countries under such circumstances. They will demand a *higher* tariff, claiming that the trouble has arisen through the raised tariffs of other countries, or the sweated condition of their labour, and insisting that the inadequate protection shall be made effective. The game has been played in America many times over, and it would assuredly be played here.

When there can be produced from economic history one instance of a highly tariffed country throwing off a tariff, beyond the single case of our own act of liberation in 1846, when a starving people had to be freed of its bonds under conditions that drove to surrender the very leader of the vested interest who had maintained the system—then it will be time to talk of facing an experiment, on the pretence that what is done may be cancelled if it is not found to be successful. The very suggestion that it might conceivably succeed is an exhibition of ignorance, of incapacity to understand the nature of the problem. Tariffism *is* working harm all over the earth at this moment. It is strangling the renascent industry of Europe since the destructive hurricane of the War. The bankers who signed the manifesto speak whereof they know. And still they can but *hope* that the nations which treat trade as a mode of warfare will listen to them, knowing that when loans are wanted it is to willing bankers that they must turn.

The tariff is strangling enterprise in Australia, putting all trade at the mercy of a Labour Party which lives by the exploitation of an over-burdened agriculture. In Canada, our optimistic globe-trotters tell us, the position of labour in the towns is good: the children are well fed and clothed. As well tell us that the children of the manufacturers in the States are well fed and clothed. What about the condition of the Canadian farmers, who toil as no artisan there toils? How many thousands of the farms have been abandoned, mortgaged, derelict, by



men who could no longer fight the losing battle imposed on them by their tariff, leaving the farms to be taken up, unburdened, by farmers from the States, glad to get away from *their* mortgages and their battle with the tariff which at every enhancement bleeds them anew.

In our own country, under the tinkering policy called Safeguarding, harm is already being worked on a sufficient scale to justify public indignation. The duty on "kraft" paper, by the testimony of the producers concerned, some of them Conservatives, is ruining the carpet industry, which had begun to revive by the use of that very paper, which, they further declare, has never been properly made by any British producer. One third of the employees of the Trafford Park works have been already [1926] dismissed, and the works may have to close down. A loss of £5,000,000 of re-export trade is plainly traceable to import duties; and there came to my knowledge evidence of the effect in unemployment. An employer was called on to furnish certain packing cases. He had to explain that, from the loss of his former business of making packing cases for re-exported lace, he had had to dismiss his men, who were all dispersed, so that he could not do the work.

And Mr. Harold Cox<sup>1</sup> gives us the case of the manufacturer and exporter of violin strings, who found the cost of his imported material of raw gut so heavily increased by the 33 per cent. tax on musical instruments *and parts thereof*, that he had to give up his large export business. Thus does protectionism, on the smallest scale and in its tentative beginnings, not only plunder the general consumer but sandbag the home exporter, destroying industry under the pretext of sustaining it. Add that imported gut is not chargeable if used for stringing tennis-rackets, but is taxed if used for violin strings, and you realize the measure of intelligence of the present-day Protectionist. He is the architect of ruin.

For all our illustrations are trifling in comparison with the fate which would overtake an England given up to

<sup>1</sup> *England's Gain by Free Imports, 1926, p. 14.*

a general tariff "experiment." In those vast new countries, with their endless openings for new adventure, the harm is almost as nothing beside the experience that would ensue on a right-about-face in the fiscal policy under which Britain grew to be *the* industrial country of Europe *par excellence*, and incomparably the richest, by the supreme test of the World War. Once begin the curtailment of imports by the systematic imposition of import duties, and there would begin a swift decadence such as no State ever underwent in time of peace. Every one of the great national industries apart from agriculture, the mighty mercantile marine, the great shipbuilding yards, the great exporting trades, cotton and woollen, coal-mining, engineering and machinery, would be smitten by a swift paralysis.

They *could not*, under the new conditions, subsist as they did. By every scientific test, by every honest argument from evidence, it was Free Trade that expanded our shipping beyond all shadow of precedent in the second half of the last century, leaving that of every other nation eclipsed. Cause shipping to dwindle, and shipbuilding follows. Cut down imports and you hamstring the great export trades, turning the busy hives of Lancashire and Yorkshire and the Midlands into worse scenes of misery and despair than they were time and again in the days of Protection. The unemployment will be something undreamt of. For where can the new hosts of unemployed betake themselves? Will America receive them? Will Australia? Will Canada? Are they to go on the land? The man who can believe that is past the influence of argument.

Our solitary tariffist professor of economics, Sir William Ashley, once charged Free-traders with a blind optimism which led them to ignore the risks ahead of our industrial polity. It may have been that he had a case against some writers and orators; though I could cite on the other hand many a calm diagnosis of difficulties ahead, before and after the days when Jevons sounded the alarm about the exhaustion of our coal

supply. Neither Mill nor Cairnes, neither Fawcett nor Sidgwick, neither Smart nor Marshall, looked on the path of modern industrialism as heading very clearly to the stars. But when the risks of an optimism that trusted in freedom are to be countervailed by trust in the optimism of avaricious ignorance, when we are asked to give up the tried and tested road at the bidding of a blockhead optimism of which we know the whole history, the dismal intellectual insufficiency, and the moral unworthiness, we are entitled to meet the reproach with a sterner challenge, and a harsher impeachment.

There are two ways of testing such a proposal to change our course. First there is the test of our own experience, the strict comparison, by every known statistic, of our condition under Protection and our condition under Free Trade. That any professed economist would give any but one decision on that test I shall not believe until the dissenting economist declares himself. The other test is the comparison of our total economic experience under Free Trade with that of any other country under Protection. That comparison we have seen made many times over, in terms of trade, of wealth, of resources, of well-being, of conditions of labour, of working hours, of wages, of shipping, and, lastly, of command of the seas and power to conduct a tremendous war. And out of all the polemic there remains on foot only the one pretence, utterly unworthy of a scientific economist, that the capital, and the nominal wages of the skilled workers, of the vast territory of the United States, with their enormous excess of natural resources over ours, constitute a proof that a tariffist policy under which they remain rich would maintain similar riches in this island, which has to maintain more than a third of their population on a trifling fraction of their territory and a hundredth part of their stores.

It is not from the economists of America that there comes any encouragement to any tampering with the policy of Free Trade in Britain. Among those economists I know of none who ranks higher for science and sobriety

than Professor W. Taussig of Harvard. Here is his weighed judgment, in the latest edition of his masterly *Principles of Economics*:<sup>1</sup>

"In England, as in Germany, and indeed in all countries, the vulgar fallacious arguments in favour of protection play a large part in the popular controversy; such as increased employment for home industry, tribute to foreigners in payment for imports, and so on. But these arguments are more insidiously dangerous in England than anywhere else. *That country depends for its very existence on manufacturing industries which are able to face the competition of the world. If once her industries really lean on protection against foreigners, HER KNELL IS SOUNDED.*"

"Her knell is sounded." Set that verdict against the promises of our tariffists from 1903 onwards, reckoning if you can the weight given to it by science as against the empty declamation of self-seeking sciolists, and you may perhaps be more conscious than I have been able to make you of the vastness of the issues at stake. What are they? The *very existence*, on this testimony, of the great polity to which you belong. And what shall be the answer, and the action, of every sane and true citizen, so challenged to choose? Magna Britannia, "grave mother of majestic works," mother of nations, fostress and protectress of the high tradition of civil freedom when it had well-nigh vanished from the civilized earth—shall *she* be dragged from her sea-built throne by the hands of a witless multitude of blunderers, led by plunderers, men and women unable rightly to think, fooled and exploited by men who can think only of their own enrichment at the cost of all others' good?

To say that such a catastrophe is impossible is to make light of many historical lessons. To say nothing of the utter overthrow of the whole civilization of classical antiquity by the application of one fatal policy of centralizing authority by Rome, or the later political, financial, and commercial decadence of Spain, we have surely, in the results of the World War, warrant for recognizing that sheer unwisdom on the part of rulers and cliques may bring great States to ruin. In that case the ruin

<sup>1</sup> Third ed., 1925, i. 536-7.

was swift and dramatic: in the case of such a decay as that of Spain, which is not to this day fully recovered from, we see a long and obscure process of political malady. In the case of a tariffized Britain, it would be much swifter than that, and yet might still be irremediable because of the play of the factors we have been considering.

For, finally, the figures of the elections of 1922, 1923, and 1924 show no important alteration in the strength of the tariffist movement as such. One of the few items in the work of Mr. Jebb fitted to give comfort to his side is the demonstration that there was only a difference of some 200,000 votes between the total polls of 1922 and 1923; that the Conservative vote in the latter year fell only 27,000 below that of 1922; that the Labour and Liberal gains were chiefly made at the expense of the "independent" elements in the 1922 voting; and that the change of Ministry thus brought about was only another instance of the large results often accruing under our electoral system from small turnovers of votes. As Mr. Jebb writes; "Surely there was nothing in these figures to deter the Conservatives from trying again." The total poll in 1923 showed them still the largest of the three parties: it was the mere turning of the balance of members by small numbers of votes in a good many constituencies that forced Mr. Baldwin to resign. A wave of chance influence might have kept him in power, with the mandate he wanted. And thus many a tariffist is likely to argue, despite the promise of Lord Derby in 1923 that if the tariffist policy were then rejected it would not be again proposed in our lifetime.

Thus, though every true Free-trader will pledge himself that

There shall many a bow be bent,  
And many a sheaf of arrows spent,

ere the hard-won national heritage of an upright and equitable fiscal system shall be wrecked by vote-seekers and self-seekers, the experience alike of the past and the

present warns us that such a defeat may come if we do not to the utmost of our power provide against it.

I therefore submit to you in conclusion these propositions: that just as the Liberal Party has dwindled disastrously because, among other things, it would not pay properly for propaganda when the rival parties were paying heavily, both locally and centrally, so the battle for Free Trade will be lost unless Liberals realize that it must be financed as against the probable abundant financing of tariffism by the sinister interests, in the case of their finding their opportunity in a time of special depression. And that I put to you as a proposition in practical Political Economy.

To win a measure of Land Reform and lose Free Trade would be to head England back to the status of eighteenth-century Spain. In the year 1774 we find a Spanish economist setting out with the thesis that "agriculture without the industrial arts is insufficient to sustain and maintain a State in prosperity: it is requisite to unite the three branches of tillage, training, and trade."<sup>1</sup>

He was not listened to; and he was no very masterly economist; but he was wiser than the doctrinaire who in England, in the next generation, maintained that agriculture was the one thing needful; and yet assured the King of Sweden that if he would only keep out of his country the cheap corn of Poland, and give his farmers a monopoly securing high prices, he could "at no distant period force into a state of Chinese cultivation almost every forest and hill; fill his kingdom with thriving *manufacturers*; have a tenfold more extensive commerce than at present, quadruple his population and revenues,"<sup>2</sup> and so on and so forth. The same pundit, William Spence, Fellow of the Linnæan Society, on his next page proposes a loan of 3 or 4 millions to relieve the distresses of the English agricultural class, and "the clearing of

<sup>1</sup> *Discurso sobre el fomento de la industria popular*. Madrid, 1774, p. cxciv (*Indice*).

<sup>2</sup> William Spence, F.L.S., *Tracts on Polit. Econ.*, ed. 1822, pref. pp. xxix-xxx. (Spence's *Britain Independent of Commerce* was first published in 1807. In 1808 it had reached a seventh edition.)

the country of its *redundant population*, which machinery, vaccination, the peace, and low prices, have created; by facilitating *emigration* in every shape, not by paltry grants of £50,000 or £60,000; but by devoting to this object 1 or 2 millions annually, taken from the sinking fund."

Thus can men reason who profess to think scientifically, and to deduce economic laws a priori in defiance of experience and the nature of things; Spence would seem to preach a doctrine to the mind of some of our agricultural tariffists of to-day; and they might be recommended to try the experiment of reprinting him.

William Spence, strangely enough, had a namesake, Thomas Spence, who preceded and outdid him in plans for "restoring society to its natural state." Bewick called him "one of the warmest philanthropists of the day." After his death, it is recorded, his followers "petitioned parliament to do away with machinery," their plan for the country being one of community in land. But Thomas Spence was an uneducated enthusiast, persecuted by the Government for his democratic activities, whereas William Spence was a specialist in botany and a man politically and socially acclaimed; and in 1834 was elected a Fellow of the Royal Society. His vogue is a warning to posterity.

Between his crazed fanaticism and the blind disregard of agriculture there is a golden mean of economic reason. The ideal of Free Land, following on Free Trade, is as old as Cobden; and it may yet be realized. Keep Free Trade, and you may attain to Free Land. But lose Free Trade, and every other social ideal will fall from your hands. Take the warning of the master of modern economic science: If once the industries of England begin to lean on protection against foreigners, her knell is sounded.