

# ECONOMIC AND FISCAL FACTS AND FALLACIES

By

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"Our Empire under Protection and Free Trade"

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'Nine legislators out of ten, and ninety-nine out of a hundred, when discussing this or that measure, think only of the immediate results to be achieved--do not think at all of the indirect results.'

HERBERT SPENCER, *Principles of Ethics*.

'There are two consequences in history--an immediate one, which is at once recognised--and one in the distance, which is not at first perceived. These consequences often contradict each other--the former are the results of our own limited wisdom--the latter, those of the wisdom that endures.'

CHATEAUBRIAND, *Memoirs*,

## PREFACE

THE primary object in publishing this work is to present, in a more connected form, the views which I have advanced from time to time in various books, pamphlets, speeches, and letters to the public journals, on economic and fiscal questions, during a period extending over more than a quarter of a century.

Another object is to expose the manner in which the followers of the 'Manchester School' of economics have misused and misapplied the valuable truths of political economy; to protest against the elevation of their fiscal tenets to a species of religion, the doctrines of which are not even to be questioned; and to dispute their extravagant claims to infallibility, indicated by such expressions as *Free Trade, the International Law of the Almighty* (Cobden); *The economic conditions under which we live and move and have our being* (Asquith); or *The eternal truths of the Economic Law* (Birrell).

Those who question these sacred doctrines are treated with scant courtesy. They are denounced as 'men of little or no education,' on a parallel with squarers of the circle, or with those who maintain that the earth is flat. Bright has stigmatised them as 'simpletons without memory and logic, beyond the reach of argument.' Their writings are said to be full of economic heresies. Hard unpalatable facts are met by rhetorical flourishes as to what Adam Smith or Cobden has said, or by the dogmatic assertion that 'we must not tamper with that policy under which we have acquired our commercial and industrial supremacy.' If facts confront the cherished doctrine, so much the worse for facts.

My unpretending booklet, 'Our Empire under Protection and Free Trade,' published in 1902, contained a number of damaging facts which have never been refuted. Instead of refutation it elicited from the *Daily News* the following lofty but inconclusive criticism:

It is difficult to argue with a writer who clings in this way to doctrines which belong to the dark ages of economic science. We can only recommend the author to devote a little study to the 'Wealth of Nations' and to the writings of Frederick Bastiat.

In reply I pleaded that I had not only studied those writings, but that, in 'The British Jugernath' (published twenty-six years ago), I had actually quoted freely from them in support of my opinions. In thirteen different pages of that work I had quoted the 'Wealth of Nations,' and in four pages I had quoted Bastiat.

I suggested, moreover, that the *Daily News* reviewer could scarcely have studied the works he recommended to my notice. Otherwise he could not have overlooked those passages in which Adam Smith prophesied the ruin which has befallen some of our industries if the free importation of foreign manufactures were permitted, and in which he advocated the imposition of countervailing import duties for the encouragement of home industries, when foreign nations impose import duties on our produce.

I pointed out that Mill, like Adam Smith, had also advocated countervailing import duties as the only mode in which a country could be saved from loss.

The *Daily News* reviewer could not deny the existence of the passages to which I had referred, but endeavoured to gloss them over as not inconsistent with Free Trade principles. He admitted that 'it is well known that Mr. Mill has occasionally granted more to his opponents than his disciples approve; but to claim his authority on that ground on behalf of your correspondent's book, which is full of economic heresies, would be absurd.'<sup>1</sup>

Although I have carefully studied the writings of the various schools of economics with reference to the fiscal question, I must disclaim all pretension to pose as an economist, or even as an authority on economics. I have, in this work, carefully avoided the obtrusion of my individual opinions on economic questions, and have left economists to speak for themselves.

I submit their evidence to the verdict of the public.

The misnomer 'Free Trade' which is very generally applied to our present fiscal policy, is not the Free Trade of Adam Smith; neither is it the 'Libre Echange' of the French economists. It is not Free Exchange in any sense of the word. It is a one-sided arrangement, taxing British rate-payers for the maintenance of our markets, into which the foreign producer is free to enter. Practically it amounts to a bounty for the foreigner, which places our countrymen in a disadvantageous position when competing with him.

Free Trade principles, so called, are based upon the assumption that import duties, *in nearly all important cases, are borne almost exclusively by the consumer, and that the taxed commodities will cost more money to the consumer by the full amount of the tax.*<sup>2</sup>

These assumptions are absolutely contradicted by experience and by facts, of which I have given numerous examples in the following pages, but more especially in Chapters XIX, XX, XXI, XXII, and XXVIII.

In conclusion, I would venture to strongly press upon my fellow-countrymen the fact that those who so vehemently and confidently insist upon the infallibility of our present fiscal policy, are absolutely opposed by the persistent practice and prolonged experience of nearly every civilised nation in the world. Amongst these are the United States, France, and Germany, and over them Englishmen have no right to claim superiority, either intellectual or commercial.

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<sup>1</sup> This correspondence, which is a characteristic specimen of the arguments of the 'Manchester School,' is given in detail in Appendix No. I., and a summary of the principal facts contained in 'Our Empire under Protection and Free Trade' is given in Appendix II.

<sup>2</sup> 'Fiscal Policy of International Trade,' Professor Alfred Marshall, 1908.

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