

UNIVERSAL
LIBRARY

OU_160894

UNIVERSAL
LIBRARY

OSMANIA UNIVERSITY LIBRARY

Call No. 337 C.97C Accession No. 4648

Author Cunningham, W.

Title Case against Free Trade

This book should be returned on or before the date
last marked below.

THE CASE AGAINST FREE TRADE

THE CASE AGAINST FREE TRADE

BY W. CUNNINGHAM, D.D., F.B.A.
ARCHDEACON OF ELY, AND FELLOW OF TRINITY COLLEGE, CAMBRIDGE

WITH A PREFACE BY
THE RIGHT HON. JOSEPH CHAMBERLAIN, M.P.

REVISED EDITION, WITH A SUPPLEMENTARY CHAPTER

LONDON
JOHN MURRAY, ALBEMARLE STREET, W.

1914

FIRST EDITION	.	.	.	<i>August 1911</i>
<i>Reprinted</i>	.	.	.	<i>September 1911</i>
SECOND EDITION	.	.	.	<i>April 1914</i>

ALL RIGHTS RESERVED

PREFACE

THE opening years of the present century saw the end of one chapter in the history of the British Empire. With the Peace of Vereeniging the era of expansion was definitely closed. Henceforth no extension of territory is either to be expected or desired. When the American Colonies were lost, not from lack of good intentions, but from failure to appreciate and sympathise with colonial sentiment and aspirations, it was still open to our forefathers to create a new empire in Canada, Africa, and Australia. To-day no such opportunity exists, or can ever exist again. The world is occupied. The vast blanks on the maps of our youth have been explored and opened up to civilisation. The territory comprised in them has been apportioned among the Great Powers. There are no ownerless lands to which we or others can look as the sphere of future activity, or as compensation for the loss of a province or a dominion. The future of the Empire lies henceforward, not in its power

to annex new territories, but in its capacity to unite existing dominions and develop existing resources. This is a more humdrum, but not a less difficult task. To it all our efforts should be directed whilst the nations that compose the Empire are still plastic, and before the growth of distinct national characteristics and divergent national interests has proceeded to such a point that what is now possible has for ever become impossible, and opportunities which are still within our grasp have finally passed away.

It is a commonplace of political study that the territorial expansion of the Empire was in the main a haphazard affair. British Governments, in spite of the perhaps not unnatural suspicions of foreign powers, have pursued no settled or reasoned policy of expansion. More often than not, when proclaiming an annexation or a protectorate, they have been the unwilling agents of forces stronger than themselves. Again and again they have surrendered what British soldiers have conquered; again and again they have refused to take what British explorers have offered. But the genius of the race has brooked no denial, and in spite of definite refusals or reluctant acquiescence on the part of its rulers, the Empire has grown to be the vast accumulation of dominions and dependencies whose representatives are now assembled in London for the coronation of the Sovereign.

We have been, on the whole, wonderfully fortunate, but we cannot trust for ever to good luck. Success breeds envy; jealous eyes watch our progress, measure our strength or weakness, and seek out the joints of our armour. We are great in territory, strong in numbers, and rich in vast but undeveloped resources. But our union is of the slightest, and our development has scarcely begun. Are they also to be left to chance? Are they also to be the blind sport of forces which we but dimly understand and do not seek to control? Or is an effort to be made to find, and having found to pursue, a common policy by which the development of each may be made to serve the interests of the whole, and the strength of the whole to safeguard and promote the development of each?

This is the imperial problem of to-day. Conference after Conference meets to discuss it, yet how little real progress is made! Is it not worth while to pause and ask ourselves why? "We call our kinsmen to our councils," but when we get them there we refuse to listen to their advice. On one subject and on one subject only they have throughout spoken with a single voice. Common interests are the pledge of common action. A common trade policy is the indispensable basis of a common imperial policy. Again and again, openly or tacitly, the rulers of the Empire are brought back

by their discussions to this fundamental fact.

The great dominions are willing ; we alone refuse. They open the door to us ; in return we slam it in their faces. An insular policy, adopted by us under totally different conditions both economic and political, at a time when our industrial supremacy was unchallenged, and the Empire itself regarded as a burdensome obligation to be shaken off as soon as possible, is still pleaded as an insuperable bar now that we are subjected to ever-increasing economic competition ; and the greatness of the opportunity afforded by our imperial position is, in words at least, an idea common to men of all parties.

Such a state of things cannot last. We are in a position of unstable equilibrium. The early prophecies of Tariff Reformers are being only too surely realised, and the neglect of our opportunities, coupled with the increasing pressure of the economic policy of foreign countries, has already driven the Government of one of our dominions to enter into those close ties of reciprocal Preference with a foreign country which our refusal, and that alone, has prevented them from establishing with the Mother Land.

At such a time Dr. Cunningham invites us to think out again the foundations of our policy. With the controversies of the past we have no concern. Let the dead bury

their dead. Our business is with the present—with a world of keen industrial competition and highly organised empires. But Free Trade is the negation of organisation, of settled and consistent policy. It is the triumph of chance, the disordered and selfish competition of immediate individual interests without regard to the permanent welfare of the whole. Dr. Cunningham pleads for order to be evolved out of chaos, for agreement to replace discord, for a consistent policy, adjusted to definite ends, in place of the haphazard play of blind and undirected forces. His competence is unquestioned. He has devoted years to the study of economic questions, and especially to the growth of English trade and commerce. No man has a more intimate knowledge of the legislative history of trade, or has studied more deeply its effects upon our people. For his economics are never of the dry-as-dust order. He is ever sensible of the great political and human forces which modify and overrule the theoretic working of economic laws, nor does he confuse the mere accumulation of wealth by individuals with the spread of national welfare or the growth of national and imperial life.

A study from his pen of the bearings of our Free Trade policy on our imperial duty would at all times command respectful attention. At this moment, when yet

another Conference is wearing to its close, with many hopes disappointed and little practical result to show for its patriotic labours, his book will be welcomed by every one who shares his desire "to cultivate a better understanding of imperial problems and a fuller sense of imperial duty."

J. CHAMBERLAIN.

HIGHBURY,

June 14, 1911.

CONTENTS

PREFACE BY THE RT. HON. J. CHAMBERLAIN, M.P.	PAGE V
---	-----------

I

IMPERIAL DUTY AND FREE TRADE

IMPERIAL OPPORTUNITIES	1
THE SENSE OF IMPERIAL DUTY . . .	4
PREPARATION FOR THE TASK . . .	7
SHIRKING RESPONSIBILITY . . .	10
FREE TRADE AND IMPERIAL "LAISSEZ-FAIRE"	17

II

THE VAUNTED SUCCESS OF FREE TRADE

OBJECTION I.—The vaunted success of Free Trade as a policy is only apparent and not real, and the tests which Free Traders habitually apply are defective.

UNANIMOUS APPROVAL OF FREE TRADE IN THE EARLY 'SEVENTIES	24
---	----

	PAGE
THE OVERSTATEMENT OF THE FREE TRADE CASE	27
NATIONAL MONOPOLY AND FREE TRADE .	30
BRITISH PROGRESS RELATIVELY TO THAT OF OTHER COUNTRIES	32
LOP-SIDED DEVELOPMENT	34

III

ITS SHORTSIGHTEDNESS

OBJECTION II.—Free Traders concentrate attention on the present, and take no serious thought for the future of the country in a possible war, or even in time of peace.

CONCENTRATING ATTENTION ON CONSUMP- TION	41
THE INSECURITY OF OUR FOOD SUPPLY IN TIME OF WAR	45
THE DIFFICULTY OF MAINTAINING OUR POWER OF PURCHASING FOOD FROM ABROAD EVEN IN TIME OF PEACE . . .	47
IMPERIAL PREFERENCE HOLDS OUT HOPES OF SECURING A BETTER HOLD UPON THE GREAT SOURCES OF FOOD SUPPLY, AND OF PROCURING BETTER OPPORTUNITIES FOR THE SALE OF OUR GOODS . . .	49

IV

MISCONCEPTIONS ABOUT THE BIG
LOAF

OBJECTION III.—Free Traders are doubly mistaken in regard to the great development of English industry and commerce in the nineteenth century ; they over-rate the effect of tariffs in making bread dear to the consumer, and they also over-rate the importance of cheap food as a stimulus to industrial prosperity.

	PAGE
THE BOGY OF HIGH PRICES, ESPECIALLY OF DEAR BREAD	55
HAD THE TARIFF ANY IMPORTANT INFLUENCE ON THE PRICE OF CORN IN ENGLAND ?	57
THE CHANGE OF PRICE IN ENGLAND IN THE NINETEENTH CENTURY HAD NO OBVIOUS RELATION TO THE IMPOSITION OR REMOVAL OF TARIFFS	58
INCREASED FACILITIES FOR COMMERCE, WHICH REACTED AS A STIMULUS ON INDUSTRY, WERE THE MAIN REASONS FOR OUR SUCCESS IN THE LAST HALF OF LAST CENTURY	62
WHEN CONSUMERS DO NOT PAY THE DUTY	66
THE OLD COLONIAL SYSTEM AND THE NEW IMPERIALISM	70

V

THE MECHANISM OF SOCIETY

OBJECTION IV.—Free Traders persist in treating society as a mechanism, and are prevented from taking account systematically of the bearings of the humanities—patriotism, imperial duty, or philanthropy—on economic life.

	PAGE
THE DISMAL SCIENCE AND THE MECHANISM OF SOCIETY	74
CARE FOR THE FUTURE OF THE COUNTRY AND THE WELFARE OF THE PEOPLE .	79
IMPERIAL PREFERENCE AND IMPERIAL DE- VELOPMENT	81
SECURING A DOUBLE BOON WITHOUT CON- SCIOUS LOSS	84
THE FRUITS OF THE COBDENITE POLICY IN INDIA AND IN IRELAND	85
THE EVILS OF INTER-RACIAL COMPETITION	87

VI

FREE TRADE FINANCE

OBJECTION V.—The maxim that taxation should be levied for revenue only, in so far as it is relevant to the present controversy, appears to tend to the sacrifice of public welfare for the sake of administrative convenience.

PAYMENTS OUT OF REVENUE FOR NATIONAL ECONOMIC OBJECTS	92
PROBLEMS OF TAXATION AND INCIDENTAL EFFECTS ON PRIVATE INTERESTS . .	94

CONTENTS		xv
		PAGE
UNWILLINGNESS TO CONSIDER THE ULTERIOR		
EFFECTS OF TAXATION		96
COLLECTING REVENUE IN LARGE SUMS		100

VII

INJURIOUS TACTICS

OBJECTION VI.—Free Traders have advocated their cause in such a manner as to exercise an unwholesome influence on the electorate.

RELUCTANCE TO FACE THE ISSUE	105
PLAYING ON THE INHERITED PREJUDICE	
AGAINST LANDLORDS	107
PLAYING ON THE DREAD OF GIANT CAPITAL-	
ISM IN AMERICA	110
SELF-INTEREST CLOAKED IN SENTIMEN-	
TALITY	112
PRECURSORS OF DESTRUCTIVE SOCIALISM	115

VIII

CONSCIOUS CO-OPERATION WITHIN THE EMPIRE

OBJECTION VII.—Free Traders have ceased to rely on their principles in practice, but they still use them as a pretext for declining to promote conscious co-operation throughout the Empire.

STATE INTERFERENCE FOR NATIONAL OB-	
JECTS	118

	PAGE
STATE INTERFERENCE FOR THE DEVELOPMENT OF THE OVERSEA DOMINIONS .	121
PROTECTION AGAINST "UNFAIR" COMPETITION	124
SHIPPING SUBSIDIES AND BUSINESS CONNECTION	126
FACILITIES FOR COMMUNICATION WITHIN THE EMPIRE	127
FREE TRADE WITHIN THE EMPIRE . . .	130
CONSCIOUS CO-OPERATION FOR THE PROSPERITY OF THE EMPIRE AS A WHOLE .	134

IX

THE NEW PHASE OF THE CONTROVERSY

THE DISPUTANTS AT CROSS-PURPOSES .	138
ECONOMIC SCIENCE AND COMMON SENSE .	144
ECONOMIC ANALYSIS	146
SENTIMENT AND SELF-INTEREST . . .	151
CRITERIA OF NATIONAL PROSPERITY , .	152
COSMOPOLITANISM AND INTERNATIONALISM .	158

THE CASE AGAINST FREE TRADE

I

IMPERIAL DUTY AND FREE TRADE

IMPERIAL OPPORTUNITIES

DURING the nineteenth century Great Britain has exercised an extraordinary influence on the material progress of mankind. At the battle of Trafalgar the maritime policy, which had been steadily pursued since the time of Elizabeth, obtained its supreme triumph. Great Britain, by her increasing command of the seas, had been able to undermine the power of France both in India and in America ; she had important possessions in the West Indies ; and the new continent of Australia was beginning to attract settlers. The mercantile marine of England brought the most distant parts of the world into frequent commercial communication with the Mother Country.

2 IMPERIAL DUTY AND FREE TRADE

The Roman Empire had been built up out of contiguous territory, and the roads were the outward and visible links of connection with the centres of authority at Rome; but, alike for purposes of military operations and civil administration, as well as for commerce, it has been possible for Britain to rely chiefly on facilities for communication by water. Britain has become responsible for the maintenance of law and order, and for endeavouring to render men secure in the pursuit of peaceful avocations, throughout an enormous area of scattered territories with the most varied resources and populated by very different races.

When the nineteenth century began, the work of opening up the distant countries which had come under British sway had been going on slowly and steadily for some two hundred years, with little direct benefit to the British tax-payer, and without making much difference in the habits of the native populations. In the more temperate regions they had been forced back ruthlessly by the advances of the white man, and in such a country as India the life of the people remained almost unaffected by the change of rulers and the contact with the Western World. But during the nineteenth century the fruits of the Age of Invention were brought to bear, not only on our manufacturing and agricultural systems, but on colonisation as well. The power of

the sea had given us access to the coasts, and steamships rendered the communication with distant parts more rapid and more regular ; while railways supplied a means of opening up the *Hinterland* in continents where no waterways were available. As a consequence of these new facilities, the development of the resources of distant parts of the world has gone on rapidly. During the nineteenth century there has been an extraordinary increase in the planting of settlers under the British flag in the Dominion of Canada, the Commonwealth of Australia, and New Zealand. Under this stimulus, too, the development of the resources of countries occupied by backward and half-civilised peoples has changed its character, since modern economic methods necessitate an entire change in the economic and social life of the people. They are forced to adapt themselves to the new industrial and commercial system, which has caught them up and whirled them within the sphere of its constant influence. In England the recognition of individual rather than tribal or village property, the substitution of money for payment in kind, the catering for distant markets, and the dominance of capital in industry, had been gradually introduced in the course of centuries, as modifications of an existing order, so that the country was prepared for the sweeping changes of the industrial revolu-

4 IMPERIAL DUTY AND FREE TRADE

tion. In spite of all the preparation which had been made, this revolution, when it came, brought about infinite suffering, by the disintegration of old institutions and the hopeless misery of multitudes of men and women. The opening up of such a country as South Africa or India involves even more sudden disintegration, and infinitely greater difficulty in the way of social reconstruction, than occurred in England. Since the power over these vast areas has come into British hands, we are called upon, not only to develop the material resources of the countries, but to make the most of the people. Something more is needed than the energy and enterprise to overcome physical obstacles: there must be a sense of duty to secure fair play and adequate opportunity for native populations.

THE SENSE OF IMPERIAL DUTY

These unexampled opportunities of developing distant countries and of guiding native populations on a path of progress—intellectual, moral and political—are likely to be frittered away, unless they are taken as a call of duty. The supreme question of the hour is whether we can, as a race, rise to this duty or not. The sense of imperial duty is the element which redeems national expansion, so that it is not mere greed of private gain or lust of military

power. However this sense of duty may have been obscured, it has been present from the first as an element in the history of the Empire. It finds expression in the diary of Francis Drake, it was a constant care in the colonial policy of the early seventeenth century, and it has inspired the lives of hundreds of devoted officials in India. That there have been times when private and personal interests have been allowed too much scope is true enough; that there has been carelessness about our great heritage is also true. The sense of duty and responsibility has become stronger both among administrators abroad and among the public at home since the time of Cornwallis and Burke; it found admirable expression in the speech in which Mr. Chamberlain, as Colonial Secretary, expressed his regret for the carelessness we had shown in regard to our "undeveloped estate."¹ "I shall be prepared," he said, "to consider very carefully myself, and then, if I am satisfied, to confidently submit to the House any case which may occur in which, by the judicious investment of British money, those estates which belong to the British Crown may be developed for the benefit of the population, and for the benefit of the greater population which is outside."

If the task were merely that of developing physical resources to the fullest extent,

¹ August 22, 1895. *Hansard*, xxxvi. 642.

6 IMPERIAL DUTY AND FREE TRADE

there would still be need to be far-seeing, and to check the energy of those who are ready to exploit a country for their own immediate gain in disregard of the future of the community. The reckless manner in which the forests and the big game of the Western States have been wasted is a standing reproach against the Government of the United States; interference to check the mischief has come too late. As commercial intercourse increases, and the interior of a country is opened up, it may also become necessary to be on the alert to protect native populations from a recrudescence of slavery, and from the introduction of alcoholic liquors. But to afford suitable facilities for improvement is even more difficult than to guard against deterioration. There is need for far-seeing and earnest thought when attempts are made to change the character of a people and train them for any measure of self-government; so much difficulty arises in gauging the quality of the material with which we have to deal in any country, and in seeing how our efforts to influence the natives may affect them. It is here that kindly sentiment may easily lead us astray. Sentiment is roused by some wrong, and is eager to put it right at once, and without pausing to consider how far the means adopted are appropriate. Sentiment is, after all, a misleading guide, because it acts on blind impulse and without

careful thought, not only of the end at which it desires to aim, but of the means by which it may be attained. The sentimentalists in the Northern States have had little success in showing how the problems of the Black Belt in the South are to be solved.

PREPARATION FOR THE TASK

It has been the good fortune of the people of Great Britain that they have had a preliminary training which renders them less unfit than other men for facing the problems of Empire. They are habituated to live in a political community, where distinct legal and ecclesiastical systems prevail, so that there is no longer any practical effort at assimilation. We have outlived the opinion that assimilation is necessary in order to secure good government and progress. Edward I. tried to assimilate Scotland to England, and his work was finally foiled at Bannockburn; the Scots tried to assimilate England to the Presbyterian model in the days of the Westminster Assembly, and they were ousted by Cromwell and the Ironsides. Since the Union in 1707 there has been one Parliament to control the finance and to legislate for both kingdoms, though the legal and ecclesiastical tradition of Scotland has been carefully maintained as independent of that

8 IMPERIAL DUTY AND FREE TRADE

of England. The policy of assimilation was persistently pursued in Ireland with disastrous results ; but the colonies were deliberately left extraordinarily free to develop upon their own lines. In the charter which Charles I. gave for the plantations in Massachusetts Bay, the precedent of the Merchant Adventurers was followed, and the government of the Company was settled abroad ; no efforts were made to reduce all the colonies to one model, still less to organise them all on any one English system of local government. Hence the Mother Country is now prepared, in dealing with imperial questions, to set English experience and habits aside, in a way that no other nation has yet learned to do. People in the United States are always considering the capacity which different races show for being assimilated ; the Germans are endeavouring to assimilate the Poles ; and the Russians to assimilate the Finns. Great Britain alone has consciously discarded assimilation as a political aim ; and she is therefore prepared to respect and maintain the customs of subject peoples, and so far as possible to enforce their ideas of right and justice rather than to insist upon her own.

While the tone of public opinion is thus favourable to attempts to govern dependencies according to native ideas, there is also a strong tradition which prompts men personally to undertake unremunerative public

work. Innumerable young Englishmen cherish the dream of sooner or later being able to go into Parliament, and landed proprietors feel that it is incumbent on them to take their part in county business, and as justices on the bench. In towns there are many men of business who are glad to give their time to municipal affairs, and who perhaps hope to make them a stepping stone to public service in a larger field. Through all the upper and middle classes there is a marked ambition to take part in the service of the public, even though this may involve considerable sacrifices of time and comfort. There is no other country where habitual dependence can be placed on the readiness of citizens to serve their country without remuneration. In Germany and in Russia there is a large official class which devotes itself to the work of administration, and in the United States public work is habitually left to those who take it up because they see how to make it worth their while. There may be no leisured class in America, but there are plenty of men who could find time for serving their fellow citizens, if they had public spirit enough to make the attempt. The youth of Great Britain have inherited a tradition of disinterested service of the public, and they carry it with them when they go out to take any part in governing the Empire.

SHIRKING RESPONSIBILITY

Both by our national history and by the public spirit which has been cultivated and maintained, we are specially qualified to take up the white man's burden among the uncivilised races of mankind. Good government can only be secured by steady and disinterested administrative work; there must be waste and disaster if affairs are allowed to drift, as private interests, tempered by occasional outbursts of sentiment, shall direct. The grandest of all tasks that ever fell to the lot of a people has come to our hands, and it will be an undying shame if we fail to brace ourselves to it and to do our best to discharge it wisely. There is need to cultivate a better understanding of imperial problems and a fuller sense of imperial duty. To many people it is a matter of regret that this subject has been allowed to become a party question, but this was inevitable. We are organised as a nation on party lines, and new lines of party cleavage are formed as new issues arise. There are some of us who regard imperial development as the question of supreme importance for the world, and as giving us the right focus for dealing with social questions at home; while there are others who are ready to leave this great problem in the background or to ignore it altogether. These are the

lines on which Englishmen are now ranging themselves for political purposes. In the light of past achievements, it is humiliating to find that many of the present generation of citizens in the Mother Country are so supine that they desire to shirk these responsibilities and are ready to pour scorn on all who endeavour to take imperial responsibilities seriously.

Many Englishmen, at the present time, are accustomed to parade the fact that they fail to take any interest in political life at all, and hold aloof from it altogether. They are engrossed by some counter-attraction, and have devoted themselves to their private affairs, or to the pursuit of some particular science or some branch of art. With others this disregard for politics is a mere expression of a dilettante spirit which is not in earnest about anything. The affectation of entire indifference to national affairs sometimes cloaks a cynicism which denies the possibility of public spirit. The dilettante student and the artistic amateur are prepared to admire an expert who carries on some piece of research, or a poet or painter whose work rises above mediocrity ; but they speak of the government of the country as if it were a mere matter of dull routine chequered by personal jealousies, and as if it may be properly left to gross natures and dull intellects. They show a supercilious contempt for any one who busies himself

12 IMPERIAL DUTY AND FREE TRADE

about politics, and express a regret that any man of first-rate intellect should engage in such pursuits, as if they were derogatory.

In our modern democracy public affairs are settled by party government, and the defects of partisanship can be made an excuse for depreciating statesmanship altogether. We cannot gauge the relative importance of human achievement in two distinct vocations of life with accuracy, but those who disparage the men who devote themselves to political life, in order to exalt the claims of the literary and scientific expert, are self-condemned: they have lost the sense of proportion in regard to practical life. The foundations of society must be well and truly laid if there is to be any opportunity, or encouragement, for the prosecution of the arts and sciences. We have become habituated to good government and security, and are apt to be as unconscious of them as we are of the air we breathe. But the character of the government is a matter of supreme importance in all the relations of life: constant insecurity or habitual corruption in the government may have a paralysing effect on human energy of every kind. Bad government may leave its mark in retrogression and decay; it certainly tends to the breeding of suspicion and fear, and to the degradation of personal character. The creative work of the statesman, who so modifies institutions

as to improve the resources of the country and to raise the character of the citizens, is well worth doing, though some of his contemporaries may fail to appreciate the service he renders.

Some of the inhabitants of Great Britain are Little Englanders, because they regard the interests of the colonies and of the Mother Country as quite distinct ; they are inclined to be jealous of the development of colonies and dependencies, since they fear that the new territories may exhaust the Mother Country, or at any rate may fail to bring in a return that can be reckoned in pounds, shillings, and pence. During the seventeenth century, when England possessed little capital and Scotland less, there was a very strong feeling in many quarters against diverting any portion of our resources for the formation of plantations, which contributed nothing to the revenue under Parliamentary control. Josiah Tucker, the Dean of Gloucester, took up the tale in the eighteenth century, and treated the retention of the colonies as a mere matter of profit and loss. His example was followed by Sir John Sinclair, who denounced the absurdity and extravagance of colonisation in his *History of the Revenue*. "The whole expenses we have been put to, in consequence of our possessing colonies on the continent of North America, may be estimated at £40,000,000, in addition to the

14 IMPERIAL DUTY AND FREE TRADE

charges of at least two wars, which cost us above £24,000,000 more, and which were entered into principally on their account.

“It is the more necessary to bring forward inquiries into this branch of our expenditure, as the rage for colonisation has not as yet been driven from the councils of this country. We have lost New England; but a new Wales has since started up. How many millions it may cost may be the subject of the calculations of succeeding financiers, a century hence, unless by the exertions of some able statesman that source of future waste and extravagance is prevented.”¹

It is true that an empire may be so mismanaged as to be a drain on the Mother Country, and a cause of weakness, but it is also true that it may be so administered as to afford an accession of power and influence, such as could be secured in no other way. The manner in which Canada, Australia, and New Zealand rallied round Great Britain in a time of imperial danger, gave a proof of the strength of the ties of loyalty which bind the Empire together. But this is only an additional reason for considering carefully how the Empire can be administered most wisely, so that the danger of exhaustion may be minimised and the effective force of common feeling maintained.

¹ Sinclair, *History of the Public Revenue of the British Empire*, 3rd ed., ii. 101.

National life does not become more vigorous by being thrown back on itself and constrained within narrow limits.

There are others of us who look out on the world and see nation struggling with nation, and who, deploring the existence of militarism and the horrors of war, are inclined to regard the organisation of mankind in nations as in itself an evil: they would endeavour to do all in their power to sweep away distinctive characteristics, and to cultivate a cosmopolitan attitude of mind. Such antagonism to the very existence of separate nationalities at all, readily degenerates into a peevish anti-patriotism which habitually presents its own country to the world in a garb of penitence. But the breaking down of national barriers, or the sweeping away of national organisation, would not wipe out racial differences; it would neither afford an equality of opportunity to all mankind, nor put an end to the struggle for existence, which lies behind all human conflicts. The nation has a positive aspect; the rise of great nations has suppressed private and provincial warfare; in the agreement of great nations and the intervention of great nations there lies the best hope of the maintenance of peace in the world. Humanity can attain to its fullest life, not by toning down national characteristics to a common level, but by affording opportunities for the development

16 IMPERIAL DUTY AND FREE TRADE

of the characteristic features of each separate race.

In the present day, and among the progressive peoples of the world, nationality is the heritage of human experience on which each citizen enters. The savage may excel the civilised man in the quickness of sense-perception, or the power of endurance; but he has no part in the skill and wisdom and strength of character which have been accumulated through all the ages. The citizen of every nation is the heir of a great past, and he proves himself worthy of his inheritance by handing on an improved tradition of a well-ordered social life to the future. But the anti-patriot prefers to be an isolated unit of humanity: he finds no inspiration in the national past, and has no aspirations for the national future.

The citizen who has any pride in the institutions and in the tradition of a well-ordered community which have come down to him, feels a duty to endeavour to live up to it himself, and to hand it on with undiminished lustre. He knows that the high character and good name of his nation are the most precious part of his heritage; "a good name is as good as an inheritance, and better too"; and he will be scrupulous, so far as in him lies, to maintain the national reputation. He will be constantly on the guard lest apparent and immediate interests should be pursued in such a fashion as to

sully it; but he will yet recognise that material interests must receive consideration, and that they have a real though subordinate importance. Material resources afford the means by which high ideals can be rendered effective, and humanising influence brought to bear. The men of the Elizabethan age, who had the firmest faith in the destiny of England, laid far-seeing plans to develop her national resources and increase her naval power. Their dreams have been realised; England is no longer a third-rate European state, but has a leading position among the great powers of the world. It is for us to build on the foundation they laid.

FREE TRADE AND IMPERIAL LAISSEZ-FAIRE

If the Anti-Imperialists, the cynical and supine, the Little Englander, and the Cosmopolitan, stood alone on their own merits, they would have little power for mischief. They could hardly prevent the British public from awakening to the importance of the task which lies before us, or hamper those officials who are endeavouring to grapple with our responsibilities in a far-seeing and disinterested manner. Unfortunately they are able to fall back on an economic doctrine which has been generally accepted in England for the last fifty years, and to claim the support of a large body of

18 IMPERIAL DUTY AND FREE TRADE

scientific opinion. In an era when legislation for social improvement has come into fashion and has entirely superseded the individualism of the Manchester School, the principle of *laissez-faire* is still maintained with regard to the foreign trade of the country. The doctrine of Free Trade is directly derived from the analysis, which Adam Smith laid down, of the benefit that arises from exchange; as each side benefits when an exchange takes place, it seems to be obvious that the more exchanging there is and the more freely it is carried on, the greater will be the gain to those who engage in it. The doctrine has taken a firm hold in the form in which it was stated by Bastiat, who argued that, in matters of national trade, the course which was pursued by a mass of self-seeking individuals was sure to be that which would tend to the benefit of the country as a whole. It thus appears that any attempt to regulate the commerce of the country, for political or other objects, must necessarily divert economic activity into less remunerative channels, and be injurious. From this point of view it appears quite needless to attempt to look ahead in regard to the effects of commercial intercourse, since the best interests of the country are sure to be attained by merely letting things drift.

There are, of course, many Free Traders who are keenly alive to the importance of

maintaining the power and influence of the British Empire. They have no sympathy with the political views of the Little Englanders and Cosmopolitans, and are not a little tetchy when these hangers-on are spoken of as if they were the main body of the party. All the citizens who are indifferent to political duty or are Anti-Imperialist from temperament, are Free Traders; but it is not true that all Free Traders are Cosmopolitans. On the contrary, there are many who regard Free Trade as the best economic expedient for maintaining the material prosperity of the Mother Country, and Free Trade within the Empire as the best system for developing each of the colonies and making the most of the resources of the Empire as a whole. But however honest they may be in cherishing this belief, it yet appears that the attitude which Free Traders have assumed is doing irreparable mischief to the Empire.

If the British Empire is to hold together as a great federation of free democracies, it is important that there should be an increasing solidarity of thought and feeling on the great questions of policy which concern all alike. Cleavage must be introduced if one member of the federation takes a line which the others regard as injurious. They may indeed agree to differ; if such agreement is reached after discussion, there may reasonably be a consensus of opinion

20 IMPERIAL DUTY AND FREE TRADE

that, owing to some difference of circumstances, it would be unwise for all to act alike. But there can be no excuse for refusing to discuss the principle altogether, or for preventing economic questions, as to the development of the Empire, from coming before an Imperial Conference or an Advisory Committee. The Free Trade Imperialists are in the invidious position of posing as men who understand oversea affairs better than the resident in the dominions; they are so sure of their superior wisdom that they will not even discuss the question. So long as this line is taken at Imperial Conferences, we cannot even agree to differ with the oversea dominions: we simply acquiesce in letting a cause of disagreement, on a main principle of policy, continue to exist and to give rise to dissension.

The difficulty is rapidly assuming a very serious character: the self-governing dominions have rejected the system of Free Trade, and imposed protective duties on goods coming from foreign countries. Canada, South Africa, Australia, and New Zealand have thus secured what Great Britain has lost—the power of bargaining with foreign countries; and Canada has been urged to use it. Had Canada accepted the proposed agreement with the United States, the exceptional advantage which Great Britain has hitherto enjoyed for selling in Canada would have been reduced, and the British

advantage for buying foodstuffs would have disappeared altogether. More than this, Canada would have had certain advantages in the market of the United States which were not to be extended to the Mother Country. A further divergence of economic interest between the Mother Country and the dominions would have been created, and this could not possibly tend to an increase of imperial solidarity for political purposes. The parts of the Empire which distrust our wisdom, may be tempted to assert the power of making for themselves treaties in which their interests shall be safeguarded.

Taken at its best the doctrine of Free Trade is a cause of dissension between the Mother Country and the oversea dominions; while it offers an excuse for those who refuse to think out a policy for the parts of the Empire which are not empowered to govern themselves. Under these circumstances there is a strong case for demanding that this doctrine should be reconsidered; every citizen may be rightly called upon to give his best attention to the matter, and to make up his mind whether the principle of Free Trade is really sound or whether it is merely plausible. The charlatans who profess to settle the most complicated commercial questions off-hand, in accordance with theoretical principles, may be waived aside. The advocates of Free Trade cannot be permitted to urge that, like the

22 IMPERIAL DUTY AND FREE TRADE

affaire Dreyfus, this policy is a *chose jugée* and cannot be re-opened: the case must be reconsidered, and though the judgment may be reaffirmed, it is possible that it may be reversed. The question ought to be discussed with reference to existing conditions, and not merely as a piece of the economic history of the nineteenth century. Some may think that the action of Peel was abundantly justified in 1846; others may believe that he made a grave mistake in refusing to modify the system of preference in accordance with the views of the colonists, and in abandoning it altogether in favour of Free Trade; but such judgments are apart from the main issue. The question we have to face is one as to the wisdom or unwisdom of the policy of Free Trade for Great Britain at the present time. We ought to inquire whether such an overwhelming case can be made out in its favour, that we are right in accepting it as a fundamental axiom of our commercial policy.

The advocates of changes in the fiscal policy of the country believe that our decision on this point has far-reaching bearings; if we persist in the policy of Free Trade we tie our hands so that we are unable to do our best for the development of the Empire. So long as we adhere to Free Trade we render it more difficult to lay far-seeing plans for the opening up of

new countries and the welfare of their people. For the last hundred years the doctrine of *laissez-faire* has paralysed public authority, and greatly limited the scope of its action in regard to the economic life of our oversea dominions. It remains to be seen whether we shall rouse ourselves to cultivate a sense of imperial duty in regard to our dependencies. The triumph of Free Trade has meant, and must continue to mean, that we are to be satisfied with a mere "project of Empire"; if we persist in discarding the obvious means of exercising effective control over economic development, we are deliberately deciding that the countries under our influence shall be treated in a haphazard fashion, and that their destinies shall be bandied about between short-sighted sentiment and private self-interest.

II

ITS VAUNTED SUCCESS

OBJECTION I.—The vaunted success of Free Trade as a policy is only apparent and not real, and the tests which Free Traders habitually apply are defective.

UNANIMOUS APPROVAL OF FREE TRADE IN THE EARLY 'SEVENTIES

FORTY years ago there was a practical unanimity of opinion in this country as to the benefits which had accrued from adopting the policy of Free Trade. The theoretical argument, from the nature of exchange, was generally regarded as a piece of demonstrative reasoning which was so strong that only the wilfully blind could fail to be convinced of its truth, and of its universal applicability; while the material progress of the country had been so rapid, under the Free Trade regime, that the wisdom of our policy seemed to be completely confirmed by experience. But during the period from 1873 to 1886 the country suffered from long-continued commercial depression, and this easy confidence was

somewhat shaken. The public began to feel that Free Trade was not, after all, a panacea for commercial evils of every kind, as they had been inclined to suppose. And during these years the action of foreign countries began to attract attention and to create a mild surprise. Foreigners had been inclined to follow our lead to some extent for a time; but during the 'seventies it became obvious that the tide had turned; for before 1880, Germany, Austria, and the United States had entered on a new career of Protection.¹ On one point, too, it soon became obvious that the advocates of Free Trade were mistaken in their calculations. They had held that Protection had a deadening effect on enterprise, and that it encouraged people to be satisfied with old-fashioned and ineffective methods of production; but the success of American and German manufacturers proved that they were capable of extraordinary energy and enterprise in the conduct of business. As these countries continued to prosper, some doubt gradually arose as to whether so many intelligent statesmen were really guilty of a childish error in rejecting Free Trade. The educated Englishman, and still more the educated Scot, had been brought up in a Free Trade atmosphere, and could hardly bring themselves to take the Fair

¹ Cunningham, *Rise and Decline of the Free Trade Movement*, p. 86.

Trade movement of 1881 very seriously. But the tone of public opinion had considerably altered before 1903; and, when the Tariff Reform campaign opened, it was no longer possible to treat the critics of our commercial policy with amused contempt. Each year, since then, has shown an increase in the number of those who are prepared to give the critics of Free Trade a hearing. Nor is it now possible to pretend that this question is merely economic, and ought to be left for experts to settle: the discussion of reciprocity between Canada and the United States has at all events opened the eyes of the public to the fact that political interests of the highest importance, including the maintenance of the integrity of the Empire, may be affected by the terms of an economic bargain between two nations. This is the last of a series of events which have shaken the confidence of the ordinary citizen, and made him feel that reconsideration of our fiscal policy is necessary.

There has also been, during the last few years, a striking change in the attitude of the antagonists. The defenders of Free Trade are no longer so assured in regard to their position as they were when Mr. Chamberlain sounded his first note of attack in 1903; and, on the other hand, the Tariff Reformers are far more aggressive than they dared to be at that time. Many of them were inclined to think, in 1903, that Free

Trade was good in theory, but that it did not work satisfactorily; and that if we could only have Free Trade all round, there would be no ground for complaint. Such Tariff Reformers were in the difficult position of trying to justify a temporising and exceptional policy of Protection, while they still recognised that Free Trade was an ideal to be aimed at. Such halting opinions are no longer put forward. Tariff Reformers are eager to press home the attack, and mine the foundations of the present economic policy. At all events it is worth while to review the experience of the last few years, and to see whether the vaunted success of Free Trade is real, or whether, when examined more carefully, it turns out to be merely illusory.

THE OVERSTATEMENT OF THE FREE TRADE CASE

The suspicion has gradually gained ground that, at all events, the advocates of Free Trade had overstated their case. They had been in the habit of speaking as if a policy of Free Exchange between all parts of the world must be necessarily advantageous to the world as a whole, and to every one of the countries into which it is divided. Their standpoint was cosmopolitan; they held that if the principle of the division of labour were applied, and each country

devoted itself to contributing to the common stock those products and manufactures for which it enjoyed special advantages, the mass of the comforts and conveniences of life would be as large as possible, and each country would share according to the measure of its productive power when it was at its best. From this it seemed to follow that any country, which set up Protective duties, was merely cutting itself off from obtaining its full share of the world's product, and was doing itself an injury. The rapid progress of Germany and the United States was treated as illusory, or was ascribed to the effects of education and enterprise, or to any other cause which might be powerful enough to counteract the mischievous effects of Protection, and to produce apparent prosperity in spite of the injury done by restriction. The view that Free Trade must necessarily be the wisest course for every country to pursue, and that those who adopted another line were the victims of wilful stupidity, has been more and more difficult to maintain as one nation after another has become more systematically Protectionist. As Protective tariffs have been adopted, not only in new and imperfectly developed lands, such as America and the colonies, but in European countries as well, its advocates are constrained to admit that the principle of Free Trade needs re-statement: that it is not axiomatic, and

that it does not necessarily apply to all countries alike; but that the policy is only a means to the end of national prosperity, and that it is appropriate in some cases, but inapplicable in others. Each case must be considered on its merits. This view found expression in Mr. Asquith's speech at Ipswich,¹ when he discarded abstract reasoning and refused to dictate to other countries, but contented himself with insisting that Free Trade was the best policy for a country circumstanced like Great Britain.

The Free Traders have thus been obliged to abandon the exalted position they had assumed, and to recognise that they must meet their opponents on unaccustomed grounds. The older view had a charming simplicity; it was susceptible of easy exposition, and it lent itself to fervid rhetoric. The greatest good of humanity, and the happiness of the greatest number, had seemed to be involved in the progress of Free Trade; so that the modified doctrine was far less effective for platform purposes. Their practical admission that the advantages of Free Trade had been over-estimated, and did not follow necessarily, compelled the advocates of Free Trade to pursue a new line of inquiry, and to try to make clear the conditions and circumstances in which Free Trade was to be preferred. They were

¹ January 11, 1910. *Times*, January 12, 1910.

called upon to discriminate ; and in regard to this they have been able to give no clear guidance. They have only pointed to the statistics of British trade, and asserted that the unexampled progress which has been made since 1846 is a sufficient proof that this country is a conspicuous example of a nation which has benefited by adopting Free Trade. The enormous growth of our commerce is clear, but there is room to doubt whether it has been an unalloyed benefit to the nation, and whether the experience of the past fifty years, shows that Free Trade is really the best economic policy for Great Britain.

NATIONAL MONOPOLY AND FREE TRADE

On this last point the Tariff Reformer joins issue. He is prepared to admit that there are countries which prosper commercially and industrially under a Free Trade policy ; he is even prepared to discriminate, and to show under what circumstances it is likely to pay. Any land which has a special advantage in one department, so as to have a practical monopoly of some article or articles which are in general demand all over the world, will reap great apparent benefit from Free Trade. That country will be able to supply itself with all the comforts and conveniences of life at far less cost of labour and capital than would be necessary if they were produced at home,

because the monopolist will be able to buy them all on its own terms, and therefore cheaply. This was the position which Great Britain had secured in 1846. Owing to the age of invention, and the lead which had been secured both in the engineering and the textile trades, this country had come to be the workshop of the world, and appeared to have a practical monopoly in the production of all sorts of manufactured goods. Many of Cobden's followers believed that he had devised a system by which this monopoly might be indefinitely prolonged. They thought that England could supply consumers in every part of the world with textiles and hardware on cheaper terms than native producers could afford to charge, and hoped that the dumping of goods might be carried on in such a fashion as to prevent any industrial rivals from appearing in the field.

But in this they miscalculated. The industrial enterprise of other lands has been carried on with increasing success. England is no longer first, or second, in the manufacture of steel, and has to be content to hold the third place. Lancashire does not retain her former pre-eminence in the production of cotton cloth. The practical monopoly on which the Free Trader of 1846 thought he could count is a thing of the past,¹ and the policy that suited a country which was in such an extraor-

¹ See below, p. 141 note.

dinarily strong position economically, is not, on the face of it, likely to be the best for a country engaged in a keen competition with progressive rivals. England has ceased to occupy the economic position in which Free Trade may be advisable.

BRITISH PROGRESS RELATIVELY TO THAT OF OTHER COUNTRIES

Even if it could be shown that Free Trade had been advantageous to this country in the past, there is no reason to assume that it will certainly be advantageous in the changed circumstances of the future. But in regard to the past, the question ought to be asked whether the great extension of English industry and commerce has been really due to our Free Trade policy, and not to other causes. Mr. Gladstone, in 1880, taking the advance of our country by itself, devised an acute line of analysis by which he endeavoured to assess the amount of our progress which might be fairly credited to Free Trade—in a large sense of the term—and how much to the introduction of railways, telegraphs, steamships, and other mechanical appliances. A more simple, but not less convincing line of argument may be pursued by insisting that, if we are to prove our commercial policy is the best, we must not merely consider our own advance, but the rate of progress in other

countries as well. The benefit conferred by Free Trade to a community may be most easily tested by comparing the relative progress made by Great Britain and by the chief Protectionist countries. It is evident that since 1880 Great Britain has been making less rapid progress than other countries in shipping and commerce. During the years from 1890 to 1902 the increase of British shipping in the ports of the United Kingdom was 20 per cent., while foreign shipping in the United Kingdom had increased 72 per cent.¹ A similar relative decline is apparent in European ports during the decade 1890-1900: while the shipping under the British flag increased by 20,127,000 tons, or 23·41 per cent., the shipping under foreign flags showed an increase of 80,053,000 tons, or 71·7 per cent.² In recent years the German mercantile marine has continued to increase much more rapidly than that of this country.³ There has been a rapid decline of the British shipping entering Hamburg and Antwerp; our Eastern trade is threatened; and it is only in the colonial trade that there is a decided increase. Apart from this there is stagnation in the shipping industry, and our foreign rivals are gaining.

Something similar may be noticed in

¹ *Times*, September 22, 1903.

² *Ibid.*, September 25, 1903.

³ *British and Foreign Trade, 1854-1908*, in *Parliamentary Papers*, 1909, CII. 812, 814.

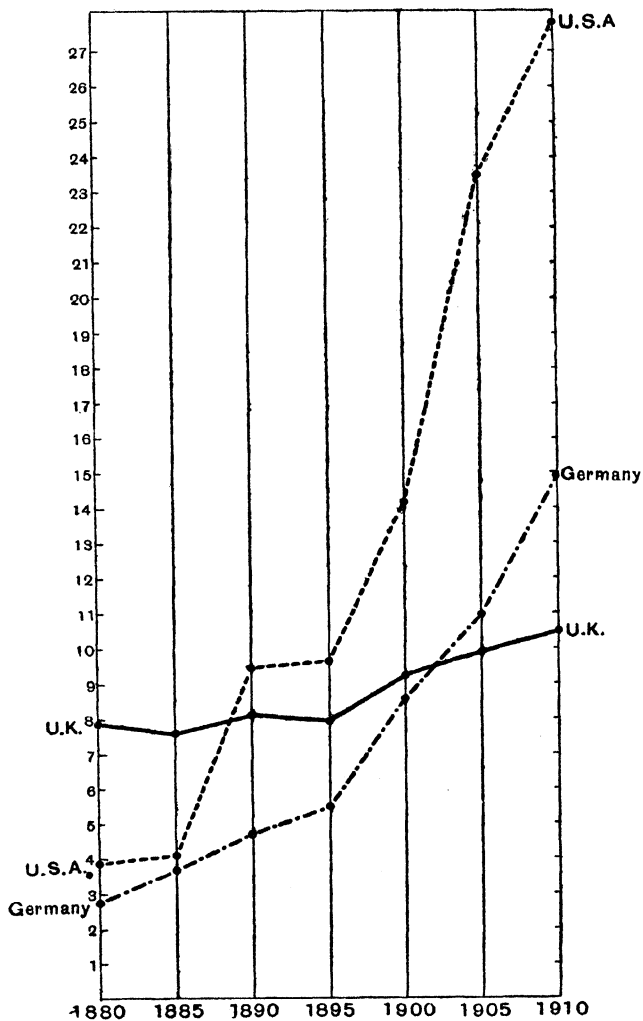
regard to industrial prosperity. In ordinary manufacture, production on a large scale is the main element in cheap production. A country like Great Britain, which manufactured on a large scale in 1846, had an extraordinary start, and might have been expected, according to the "law of increasing returns," to increase the distance between herself and her rivals. But this has not been the case. Since 1880 the rate of increase in the manufacture of pig-iron has been far greater in an old country like Germany and in a new country like the United States. We have kept advancing by steady steps, while they have gone forward by giant strides. When the rate of progress under a Protective policy is compared with the rate of progress under a Free Trade system, and it is seen that we have actually lost our magnificent start in the race, it becomes doubtful whether it was the adoption of Free Trade that gave us the start at first.

Since other countries are progressing more rapidly under Protection than Great Britain is doing under Free Trade, we may hesitate about accepting the assurance that the introduction of Free Trade was an important element in contributing to our rapid progress in the latter half of last century.

LOP-SIDED DEVELOPMENT

The tests to which Free Traders habitually appeal are inadequate and defective, and

ESTIMATED OUTPUT OF PIG-IRON 1880-1910 IN MILLIONS OF TONS



therefore give a misleading result. They are apt to fix on one feature in our economic life, the figures of our imports, and to take these as an index which should satisfy us that the national life must necessarily be prospering in all its aspects. But this index is not to be depended upon as accurate and instructive. For one thing, the values of our imports and exports must increase during any period when there is a fall in the value of gold. If gold fell to half its value, and the values of the imported goods were doubled, this would not mean that any larger share of the world's goods was being brought to this country, but merely that every one had to pay more gold for the same share as before. In the Elizabethan period this condition of affairs seems to have existed in England; and the immense supplies of gold from South Africa and Klondyke have apparently caused a depreciation of gold in recent years. This is a confusing element in trade statistics. No single feature of our economy is so far typical of general prosperity that we can be satisfied to take it as an adequate test of healthy economic life. We may have a perfectly accurate account of the imported wealth, without having any means of estimating its bearing on the welfare of the community. Enormous growth in the human body may be a symptom of disease, and this is more especially the case when

the growth affects one part, while healthy development might be expected to invigorate all sides of economic life.

From its very nature, Free Trade encourages the development of some special department; each country is recommended to devote itself to that in which it has a special advantage, and advantage is supposed to arise from concentration on some department and not from all-round development. It is easy to imagine cases in which such one-sided growth would be injurious, both economically and politically.

England has come to be mainly a commercial, rather than an agricultural country, and the Free Trader concentrates attention on the statistics of commerce. If there is a large quantity of imports he is satisfied that there are supplies of goods available for the use of consumers at home. He is quite clear that imports must be paid for by exports, and he speaks as if it were a matter of indifference how the price of procuring imports is made up. But it is a question of supreme importance to consider what sections of the population have a claim to be the consumers of the mass of imported goods, and what sections find that they have no right to share in them. There will be the greatest possible difference in the distribution of the mass of imported goods, according as they have been pur-

chased in exchange for goods produced through the exertions of the people generally, or have been brought to this country as tribute and profit on foreign investments. If the goods brought from abroad are paid as interest for capital invested in foreign places, the value of the returns will go entirely to the holders of foreign securities. If goods brought from abroad are paid for by goods sent from here, those who had a share in making the goods have a claim to a share in the proceeds of the sale, and the imports by which the goods are paid for. In this latter case, but only in this latter case, the increase of commerce implies that there has been more to purchase with and more employment. The substitution of imported manufactures for articles of native production, while it swells the returns of commerce, will yet mean that there is diminished employment, and that the increase of commerce has been made at the expense of the prosperity of industrial life. In a country in which the economic life is exceptionally vigorous, new channels of employment may be opened up; but even though this happens, the injury is real at the time. There have been two obvious cases in historic times when development of commerce has been obtained while there was a decline in industry. This certainly occurred in India in the early 'eighties; and there is some reason to doubt how far the

evil has been corrected even now. It may be further remembered that the condition of the city of Rome under the Empire was by no means satisfactory economically, though a large mass of imports was available. The index by which the Free Trader gauges economic prosperity is quite misleading.

This becomes more obvious when we go beyond the narrow economic view which is concentrated on material wealth, and try to take account of the bearing of such specialised advance on the welfare of the people. The one-sided development, which is likely to occur under a Free Trade system, may easily become injurious politically. If a nation is to retain her independence and to exercise an influence on the world, she must be strong; and a one-sided development may easily leave some elements neglected.

If a country continues to devote itself to the production of raw materials—such as cereals or wool—she is likely to be badly equipped with material for war. Modern warfare is a highly developed art, in which engineering and mechanical skill is increasingly requisite. A purely agricultural population may have difficulty in procuring and in organising the means of defence. On the other hand, the exclusive development of industry and neglect of agriculture may give

rise to other elements of weakness. It has often been said that the population drawn from the towns is less fit for military service than that which has been reared in the country, and the increase of manufacturing is apt to be associated with a larger proportion of the population who are physically unfit. Besides this, if agriculture is entirely neglected, the country cannot be self-sufficing so far as the food supply is concerned, and this opens up a serious risk of being deprived of supplies in time of war. It may be possible to guard against this risk, as Great Britain has done, by the maintenance of a large Navy ; but there is need to remember the existence of the danger and to be at pains to take precautions against it.

The Free Trader has endeavoured to separate the economic issues and to deal with them by themselves, but this attempt at abstraction is illusory. It is possible in thought, but not in life. Economic conditions and political vigour react on one another ; if we deliberately accept a one-sided economic development, we must be at pains to rectify the particular political weakness that is likely to ensue. And the Free Trader has no means of discriminating in this matter ; he concentrates his attention on the growth of wealth, and is ready to assume too hastily that, if wealth is increasing, the national welfare of every kind will take care of itself. Provision

for defence is a matter of supreme importance, but this cannot be taken account of as part of his system ; it may be added as an afterthought, or it may be neglected altogether. Neither from the economic nor from the social and political standpoint does it appear that our Free Trade policy has been such a success that we should adhere to it as a matter of course.

III

ITS SHORTSIGHTEDNESS

OBJECTION II.—Free Traders concentrate attention on the present, and take no serious thought for the future of the country in a possible war, or even in times of peace.

CONCENTRATING ATTENTION ON CONSUMPTION

SINCE Free Trade is apt to lead to one-sided development economically, and has an injurious influence on the strength of the country for military purposes, there is need of conscious effort to correct these tendencies. In order to deal with such slowly operating causes we must try to look far ahead. The fostering of economic activities and the development of natural resources imply some serious attempt to forecast the future and to work steadily towards it. The problem of making the most of a country is much too important to be treated in a happy-go-lucky fashion; but the Free Trader deliberately refuses to look ahead. He will not formulate the objects at which the country should aim,

and he does not even recognise that shortsightedness is a defect ; he is an advocate of *laissez-faire* in economic life, as he believes that with the play of individual competition material interests will adjust themselves in the best possible way, and that the greatest amount of material prosperity will come of itself, if Governments will only refrain from meddling and will let economic conditions alone.

The Free Trader insists that he looks at economic life from the point of view of the consumer. All the people in the nation, he urges, are consumers, whether they produce or not ; and if you bear in mind what is needful for the consumer, you are taking account of what is needed for the community as a whole, instead of being misled by the particular interests of one body of producers or another. He argues that by Free Trade and the competition of nation with nation, every country will receive from the total of the world's stock an equivalent for the contribution which that nation has made to the world's stock. In a similar fashion he holds that the quota of the world's stock which goes to each nation can be divided up by the play of competition among the various capitalists and labourers who have had a share in producing the national contribution. It is all a question of the division of goods ; and the force of competition supplies a rough-and-ready agency by which a result

is attained that can be defended as not unjust on the whole.

This is an inadequate view of economic life. Consumption is certainly the object in view in manufacturing or transporting goods, and it is a necessary phase in utilising them at all. As we have seen, the question as to what persons shall have a claim to share in consuming is of supreme importance ; but apart from this, consumption does not call for much consideration : after all, it is a form of destruction, and can be left to take care of itself. If the goods are there, they are quite certain to be consumed ; it is a matter about which it is needless to trouble. But on the other hand, things do not make themselves ; even a fertile soil does not produce what is most needed for human food unless it is tilled. If the national life is to be properly sustained, there must be recurring production. The maintenance of prosperity depends on calling forth the active principles of energy and enterprise which shape the materials furnished by nature, so that they may serve human purposes to better advantage.

The Government of a country, if it tries, can certainly devise conditions which shall be favourable to the work of production. Much may be done, on the one hand, by providing a measure of security for the enjoyment of the fruits of labour or of

enterprise, to call these factors in production into operation, and so to give full scope to individual powers. On the other hand, steps may be taken to discover and utilise the material resources of a country by public works which it would be impossible for any individual to start ; while the training and equipment of individuals for their work in the world may also engage attention. There is, by this time, a general consensus of opinion that it is desirable to frame a conscious economic policy in regard to these matters ; and many who call themselves Free Traders are quite out of sympathy with *laissez-faire* as a principle to be adopted in regard to internal economic affairs. But it is the principle of Free Trade that no special attention need be given to the external relations of a country, and that all we need to do is to establish the freest possible intercourse with all the rest of the world. If there were no barriers to intercourse, and goods could be brought from all parts of the world, the Free Trader would be satisfied that he could count on an excellent supply of commodities from abroad, and would not examine the matter farther. *Laissez-faire* seems to suffice in order to procure a mass of goods from abroad for consumption at home.

THE INSECURITY OF OUR FOOD SUPPLY
IN TIME OF WAR

A large number of persons have been shaken in their allegiance to Free Trade by anxiety as to the danger of famine in time of war. They do not feel that the political party which retains Free Trade as one of its watchwords realises that our present policy affords very little security for the maintenance of a sufficient food supply. This is one of the main economic elements in the life of a people, and for our food supply we are mainly dependent on the purchases we are able to make beyond the seas. This habit of drawing from sources of supply in all parts of the world has great conveniences, as no scarcity in any one continent is likely to affect us very seriously ; if the harvest is bad and the supply from Russia deficient, we may be able to draw more largely on India or Canada. There is, however, a very serious risk that our food supplies may be cut off altogether in time of war : the overseas trade in corn was small and irregular at the close of the eighteenth century, and a very large part of our food was raised in Great Britain. Even in these circumstances, when the Napoleonic war rendered it impossible for supplies to reach us from abroad, the price of corn rose to nearly three times the rate at which it ranged in the "hungry 'forties." The

worst sufferings of the English poor in the nineteenth century were not due to the existence of a tariff, but to the closing of the ports from which we could have obtained additional foodstuffs, and to the risks of shipping. These dangers, which were very real at the beginning of last century, are intensified at the present time; we draw a far larger proportion of our food supply from across the seas than we did at that period¹; and the effort to extend home-production, so as to meet the deficiency, which enabled us to tide over the difficulty then, would be ludicrously inadequate now. At certain times of the year the stock of corn in Great Britain would not last us for more than three weeks. Free Traders speak of the dearthness, which they ascribe—too hastily—to Protective tariffs, but they ignore the worse scarcity which was undoubtedly due to a war which cut us off from obtaining foreign supplies. The Free Traders are making no efforts to insure against the recurrence of overwhelming disaster; they are content to leave us exposed to all the perils of starvation from which we suffered in the Napoleonic war, though we are not so well prepared to meet them now as we were then. The

¹ Our dependence on importation is increasing. The value of imported food and drink rose from £163,000,000 in 1890 to £233,000,000 in 1908.—*Parliamentary Papers*, 1909, CII. 759.

mere fact that careful calculation is necessary to say whether our Navy is superior to those of any two Powers or not, sufficiently shows how much our ability to protect our merchant ships from attack has declined since the days that followed Copenhagen and Trafalgar, while the recent Declaration of London has apparently added a serious danger to the maintenance of our food supply in time of war.

THE DIFFICULTY OF MAINTAINING OUR POWER OF PURCHASING FOOD FROM ABROAD EVEN IN TIME OF PEACE

But even when the dangers of a hostile attack on this country are ignored, there may be reason to doubt our ability to maintain the practice of purchasing large supplies from abroad even in time of peace. In order to procure corn, as a regular thing, we must have the means of buying it ; and this involves, on the one hand, access to foreign parts, and on the other, an adequate purchasing power. In regard to both these points our Free Trade policy is proving itself thoroughly unsatisfactory.

Deliberate efforts have been made by one country after another to shut our goods out of their markets, or only to admit them on terms that are unremunerative to the manufacturers here. This hostile policy

has been forced on foreign countries by their experience of the results of relatively Free Trade in the 'sixties. They were compelled, in self-defence, and with a view to their own economic activities, to try to exclude British manufactures; the tariff policy of Germany, America, and Austria is being followed by France and Japan. The market for British goods is becoming more and more limited, but the Free Trader has no suggestion as to any remedy for this evil.

The loss of our manufacturing supremacy is marked by a change in the character of the exports which we send abroad; our manufactures are shut out, our minerals are in demand. The coal which we export enables our rivals to manufacture more cheaply, and in recent years a greatly increased quantity of foreign manufactures has been imported into this country. Mr. Holt Schooling shows that there has been "a large increase in the coal-mining occupation, concurrently with a loss of occupation in many of our leading manufacturing industries."¹ In quantity, coal exports rose from 23·3 million tons yearly in the decade from 1880-89, to 48·3 million tons in the decade from 1898 to 1907. Minerals once extracted cannot be replaced; they are part of our natural resources, and are a kind of capital; it is in many ways a serious thing that this

¹ *British Trade Book* (1908), p. 349.

supply should be used up, but it is specially serious to remember that we are using these resources up in the effort to pay for food from abroad.

Still further, a large portion of our exports consists of goods, the continued manufacture of which depends on supplies of coal. The export of machinery is an increasing element in our payments for the goods we consume.¹ On the other hand, cotton and woollen goods, and the other principal manufactures of the country, have failed to keep their place in enabling us to pay for the imported goods we consume.² The difficulty of maintaining our food supply in time of peace must increase as our opportunities for sale become more limited and our present power of paying diminishes.

IMPERIAL PREFERENCE HOLDS OUT HOPES
OF SECURING A BETTER HOLD UPON
THE GREAT SOURCES OF FOOD SUPPLY,
AND OF PROCURING BETTER OPPOR-
TUNITIES FOR THE SALE OF OUR GOODS

The Free Trader, with his mind fixed on the distribution of the mass of goods already existing among the peoples in the world, has not cultivated the habit of taking thought for the morrow, but only considers the greatest advantage of consumers in the present. But many men, who are inclined to look forward and see dangers ahead,

¹ *British Trade Book* (1908), p. 346. ² *Ibid.*, p. 392.

feel that we ought to try to take them into account. They resent the attitude of the Free Trade party towards the possibility of war as foolhardy, and the unwillingness to face the increasing difficulty even in time of peace is unsatisfactory. To these men Tariff Reform appeals by contrast. It does not pretend to have a cut-and-dried remedy which will make our future secure ; but it looks facts in the face, and sets itself to diminish the dangers which actually threaten us. Imperial Preference is the only suggestion which has been offered for rendering our means and opportunities of purchasing food more secure. We should be likely to secure better terms in times of peace, and the cutting off of all supplies would be a less formidable danger in times of war, if our trade relations with the distant parts of our own Empire were rendered as close as possible.

There is an increasing struggle among all industrial countries to obtain supplies of raw material, and Great Britain is deeply interested in the matter. Great efforts are being made to develop cotton growing within the Empire, and it is important that we should, so far as possible, command the sources of supply for wool and textile materials of every kind, so that they may not be suddenly cut off through foreign political complications, as occurred during the American war. But it is still more

desirable that we should secure a strong position in the great corn-growing areas of the world. There is likely, in the near future, to be a much keener competition for wheat; the demand from the United States is likely to raise the price at which we can hope to purchase in Canada. The whole of the farming operations in these great areas may soon be brought under the direct influence of speculators in Chicago, and of the great American millers.¹ It is of the highest importance that we should do all we can to strengthen our business connections with the food-growing regions within the Empire, so that we may continue to have an opportunity of buying on the most favourable terms. The granting of a preference to the growers of Canadian, Indian, and Australian corn, is suggested, not so much in the supposed interest of the colonies, but as a means by which we may establish connections and attract their supplies to our markets. They would get a better price from us than rival importers into this country would get: in so far as this led to the opening up of communications by land and organising intercourse by sea for the purpose of carrying on this trade, it would bring us into touch with the areas which will in the near future be the main sources of the corn-supply of the world. They are widely diffused, so that the risk

¹ Special Article in *Times*, May 8, 1911.

of a simultaneous failure of the crops in all parts of the Empire, is not a pressing danger; and the additional facilities which Free Trade affords for equalising the supply need hardly be taken into account. But to encourage the corn-growers in all parts of the Empire, to look for the best available price in the English market, would be a step towards securing a future supply.

Imperial Preference, in so far as it has been adopted by the colonies, secures to us certain markets which are not only unlikely to be closed to us, but in which our goods are more welcome than those of other traders. It offers us exceptional opportunities for the sale of our goods—not absolutely but relatively. The Imperialist of the present day has no desire to revert to the Cobdenite policy of retarding colonial development by using our overseas dominions as a dumping-ground for English manufactures; he wishes to give these self-governing nations free play, and is glad to see them developing their own industrial life; it is a new strength to the Empire. He has no desire to interfere between the Canadian manufacturer and the Canadian market, but he would be glad to retain the most favoured place—after the Canadian manufacturer—in the Canadian market. A preference secures him opportunities for sale by ensuring the British trader an open door.

A relative advantage of this kind could be

secured to our manufacturers in the home market and in the overseas dominions, by the policy of Imperial Preference. This security would set us free to use our skill and energy so as to cater for requirements of many kinds, which are at present met by free imports from abroad. We should not be compelled to fall back on our coal in order to find some article which is acceptable abroad; but with markets that are relatively secure, the purchasing power of our manufactures would be increased, and we might be able to purchase the food we require without drawing recklessly on national capital in the shape of coal. Imperial Preference is advocated primarily with reference to the future of the Mother Country, as the only suggestion which has yet been made for strengthening our connection with the most important sources of supply, for securing us opportunities for sale, and for increasing the purchasing power of our manufactures.

There need be no pretence of demonstrating that the proposal of Imperial Preference would, if adopted, do away with all the risks which we run from being dependent on an imported food supply; the Tariff Reformer's contention is that it would tend to diminish these risks, and that if we entered on this line of policy we should learn better by experience how to use our trading connections for the advantage of the Mother

Country. In so far as any loss is involved in discarding the policy of free imports, the Tariff Reformer argues that that loss would be incurred in our own interest, and with the view of rendering our future less insecure.

There are many men who have been brought up as Free Traders, who are doubtful as to the success of the suggested expedient, and afraid of the risks it involves, but who at least sympathise with the Tariff Reformer in distrusting the attitude of the Free Trade party politicians in regard to the future of the country. *Laissez-faire* and non-interference with trade have had their place in economic progress, but there are supreme interests which it is folly to leave to chance. Human welfare and the future of the country are ends which are only too likely to be sacrificed in the play of competing individuals, unless we are prepared to take them consciously into consideration and to try to see how they may be subserved.

IV

MISCONCEPTIONS ABOUT THE BIG LOAF

OBJECTION III.—Free Traders are doubly mistaken in regard to the great development of English industry and commerce in the nineteenth century ; they over-rate the effect of tariffs in making bread dear to the consumer, and they also over-rate the importance of cheap food as a stimulus to industrial prosperity.

THE BOGY OF HIGH PRICES, ESPECIALLY OF DEAR BREAD

THE suggestion of granting an Imperial Preference cannot be carried out unless a tariff is first imposed on goods and products which are imported from other parts of the world, including the corn which comes from Russia, America, and the Argentine. This is the practical proposal which frightens many of those who are in entire sympathy with Tariff Reformers in wishing for a greater measure of conscious co-operation for economic purposes throughout the Empire. They are anxious lest any duty which might be imposed would raise the price of corn ; they have heard that in the 'thirties and

'forties, when there was a duty on imported corn, bread was very dear; and they therefore fear that if a duty were now imposed—even a preferential duty which only affected a portion of the supply from distant lands—bread would be sure to rise in price. But we have no right to jump to the conclusion that the tariff was the primary cause of the high prices in the nineteenth century; closer consideration shows that if the duty had any effect at all in raising the price of corn, its influence was so small that it may be neglected. The Free Trader is guilty of gross exaggeration when he speaks as if the scarcity in the past had been brought about by the imposition of the tariff in 1815; the alarm so generally expressed as to a recurrence of dear bread as a consequence of Tariff Reform is caused by a mere bogey. It is a mischievous bogey; for it distracts attention from the real danger of starvation in time of war, such as England experienced during the Napoleonic war. Further, the parading of the big loaf, as if it were the main consideration in regard to economic welfare, is misleading, for those who insist on this point disregard the very important benefit which accrues from increased communication and better employment, even when there has been no change in the price of food.

HAD THE TARIFF ANY IMPORTANT INFLUENCE ON THE PRICE OF CORN IN ENGLAND?

The price of corn in the English market depends on demand and supply, and the price will rise if the supply is small, and fall if it is large. There are all sorts of different influences which affect the supply that comes to any market from abroad—the character of the harvest and the facilities of communication by steamer and rail—the presence or absence of a tariff is one among several causes. The Tariff Reformer regards it as an influence that is so slight as to be almost insignificant, and he lays stress on the facilities of communication as the main thing which determines supply, and therefore price. On the other hand, the Free Trader speaks as if the tariff were the sole element affecting the supply, and as if the price were immediately and directly affected by the imposition or removal of a tariff. An economic expert in 1904 insisted that if a tariff of 2s. were imposed, the price of corn would rise 1s. 9d. the quarter; he went on to explain how the rise would affect home-grown wheat as well as imported, and how the luxurious landlord class would gain at the expense of the consumer of bread. This fantastic forecast is an excellent instance of the arbitrary use of a specialised imagination. The opinion thus stated was not in accordance with the view expressed by

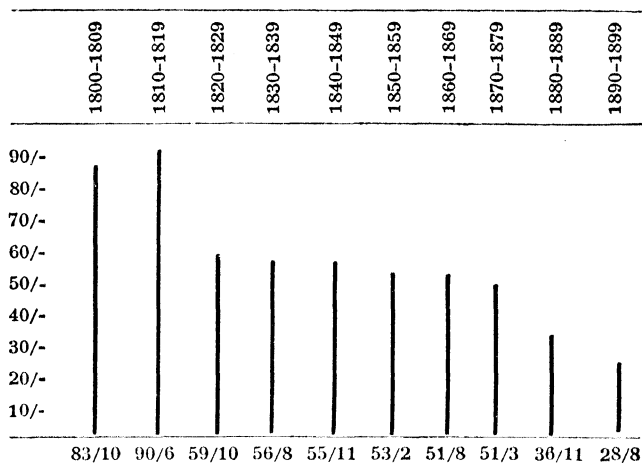
Liverpool merchants interested in the corn trade, and it was difficult to reconcile with the slight influence which the duty of 1902 had had on the price of corn.¹ The story of the imposition and removal of that duty, as well as the rise of corn in recent years, when no alteration had taken place in the tariff, go to support the Tariff Reformer's contention that the influence of a tariff on price is very slight indeed, and that improved facilities for communication are capable of increasing the supply available to such an extent that the alleged influence of the duty in limiting the quantity introduced may be completely obliterated.

THE CHANGE OF PRICE IN ENGLAND IN THE NINETEENTH CENTURY HAD NO OBVIOUS RELATION TO THE IMPOSITION OR REMOVAL OF TARIFFS

We have the means of testing the two views by reference to the history of the duty on corn, and of corn prices during the nineteenth century. In order to get rid of the confusion arising from differences in price which are due to the variations in the harvests from year to year, it is con-

¹ The duty of 1s. per quarter, which had been removed by Mr. Gladstone in 1870, was re-imposed in 1902; but the average price was not higher than it had been for the preceding years. Nor did the price of corn fall when the duty was removed in 1903. *British and Foreign Trade*, in *Parliamentary Papers* (1909), CII. 899.

venient to take the average prices for each decade; and the course of the change is clearly delineated in the accompanying table.



This table shows the average price of corn for each ten years during last century.

In the first and second decades the price was enormous, the average standing above 80s. and 90s., though there had been a rapid drop in 1816, when the war came to an end, in spite of the greatly increased protective measure which was introduced in 1815. From 1815 to 1880 there was very little marked change, though the averages for each period of ten years show a gradual decline from 59s. 10d. in 1820-29 to 51s. 3d. in 1870-79. Immediately afterwards there was a rapid fall, however, to 36s. 11d. and 28s. 8d., in

the last twenty years of the century. The two periods of rapid fall, and the long period when the prices were practically steady, are very noticeable; but it is difficult to see that the changes in the tariff had any effect upon prices at all. In 1816, and subsequently, an enormous drop occurred in spite of the fact that a tariff had been deliberately imposed with the view of keeping the price of corn high; but the duty was quite ineffective for attaining its avowed object; the price fell rapidly in spite of the tariff. On the other hand, from 1815 to 1880 the price was very steady, or, more accurately, it was falling very slightly all the time. When the repeal of the Corn Laws came into operation in 1850 there was very little change; the rate of fall was not accelerated after 1850, as compared with the rate of the fall in price which had been going on under a Protective system. On the other hand, there was no fiscal change of any sort to bring about the rapid fall of price which occurred towards the close of the nineteenth century. Since 1884, the annual average price of corn has never exceeded 40s.; but in no previous year of the nineteenth century had the average price fallen below 40s. except in 1835 and 1851. A remarkable change in the range of prices began about 1876; that seems to have been entirely due to the improved communications by means of which the produce of the Western

States of America found access to the English markets. It would, of course, be impossible to say that, among all the combined causes, the tariff changes had no influence whatever on prices during the nineteenth century; but it is absurd to pretend that that influence was more than slight. The increased stringency of a tariff was followed by a fall in price; the removal of a tariff had no apparent result in accelerating the fall which was already in progress. The history of the nineteenth century gives no colour to the opinion that the tariff has been a main element in determining the supply, and price, of corn in England in the recent past, and gives no support to the view that it would be a main element in determining prices in the future. Indeed, it is obvious that the influence of imposing a tariff would be even smaller in the future than it may have been in the past, since it is intended under Imperial Preference to admit corn imported from within the Empire free; hence the duty which it is proposed to levy would only be paid on corn coming from outside the bounds of the Empire. The supply from the principal and most rapidly developing areas would be brought to market, like the growth at home, duty-free. This was not the case in the nineteenth century; and another difference is worth noting. There is at present, as there was not in the 'forties, a large supply coming

in regularly from foreign parts ; the corn sent to us from over seas is grown in different conditions and transported at different rates ; some of it—the least favourably situated—hardly pays its way, and on some a good profit is received. The 2s. duty would possibly render the corn produced at least advantage unremunerative, and the foreign supply would diminish to this extent ; but a large proportion of the foreign supply would continue to come in, despite the duty. When these points are taken into consideration it is clear that any influence which the tariff may exercise on price would be even slighter in the present century than it may have been in the nineteenth.

INCREASED FACILITIES FOR COMMERCE,
WHICH REACTED AS A STIMULUS ON
INDUSTRY, WERE THE MAIN REASONS
FOR OUR SUCCESS IN THE LAST HALF
OF LAST CENTURY

The facts in regard to the history of last century are well known, and there is no dispute about them. Cheap bread cannot have been the cause of the increase of our prosperity by leaps and bounds during the 'fifties and 'sixties, because bread, for all practical purposes, was no cheaper than it had been under the tariff. It is easy to assume that the existence of a tariff *must*

have raised prices ; and to take the difference of comfort between the "hungry 'forties" and the present time as a measure of the influence of the practical abolition of the duty in 1850 in removing scarcity. But the whole argument becomes unconvincing when we remember that there was no practical difference in the price of corn in the hungry 'forties and the hungry 'fifties, and the hungry 'sixties. For twenty years after the repeal the high prices continued. To lead people to suppose that the tariff was the main cause of the difference of comfort in the 'forties and in the 'eighties, and that there is any reason to dread that the reintroduction of a very different tariff, under very different circumstances, must necessarily bring about a perceptible rise in price, is inexcusable exaggeration.

The stimulus which accrued to English economic life after 1850 could not have been due to a fall in the price of bread, since this did not occur, but there is no difficulty in accounting in other ways for the extraordinary development. The new gold discoveries, in Australia and California, and the stimulus which came from the general rise of prices, was doubtless an important element ; the period of long depression in the 'seventies and 'eighties synchronised with a fall of price and a relative scarcity of gold. But the most important influence was due to the increased facilities of communication of

every kind, by steamboats, railways, and telegraphs, and to the manner in which they were utilised to give better opportunities for the sale of goods abroad and to bring about a greater demand for labour at home. This was what the most far-seeing economists, such as McCulloch, had anticipated; they held that there would be a great stimulus to English trade, but they did not anticipate any fall in the price of corn.¹ Cobden² apparently did not either expect or desire cheap food as a consequence of his agitation, for he did not exaggerate the influence of cheap food in causing commercial prosperity, as his followers do. Tariff Reformers of the present day look at the matter more nearly from his standpoint, since they rely on fostering our trade with our best markets as the means of developing British commerce, in spite of hostile tariffs, and on thus bringing about an increase of employment. They aim at securing, by new means which

¹ McCulloch, writing in 1842, says, "Suppose the ports were constantly open to importation at a fixed duty of 5s. a quarter on wheat, it admits of demonstration that our average prices would not thereby be in the least degree affected." *Memorandum on the Proposed Importation of Foreign Beef and Live Stock.*

² "We do not seek free trade in corn primarily for the purpose of purchasing it at a cheaper money rate; we require it at the natural price of the world's market, whether it becomes dearer with a free trade—as wool seems to be getting up now, after the abolition of the 1d. a pound—or whether it is cheaper, it matters not to us." *Speeches* (July 3, 1844), I. 203.

are appropriate to new conditions, the same sort of benefit as was obtained sixty years ago through granting increased facilities for commerce generally. Tariff Reformers still fix their attention on the aim which the principal Free Traders of the 'forties had in view: they are not slavishly attached to the means which served half a century ago, but which are obviously ineffective now. Further, Tariff Reformers see that the increase of commercial facilities with the areas that supply wheat was the obvious change that brought about the substantial fall in the price of bread in the 'seventies, while tariffs could have had nothing to do with it. They urge that we should keep our eyes open and lose no opportunity of securing reliable facilities of communication and of strengthening ties of business connection, since this is the real means of developing our industry. The Free Trader is busy denouncing an imaginary danger, and he has learned nothing from experience as to the manner in which extended commerce reacts on industrial prosperity. The fear in regard to the probability of a serious rise in the price of manufactured goods, if a duty were imposed, is as much exaggerated as the outcry about dear bread. Both scares are due to the expectations of those who draw on their inner consciousness as to what must happen, instead of con-

sidering the probabilities in the light of actual experience.

WHEN CONSUMERS DO NOT PAY THE DUTY

The subject of the probable incidence of taxation is another topic in regard to which Free Traders have been guilty of ill-considered assertion. When a tax is imposed on imports, on whom will it fall? Will the consumer have to defray it, or is it possible to make the foreigner pay? "Every business man," said Sir Henry Campbell-Bannerman, "ridicules the theory that taxes on food or anything else will not in normal circumstances be paid by the consumer."¹ This is a strange over-statement; many British manufacturers know from sad experience that they are forced to pay the tax on the goods they send to the United States, and that they have no means of recouping themselves at the expense of the consumer. But the whole matter has been put very clearly, in general terms, by Mr. E. S. Saxton.² In any case where a duty is imposed and the price of the article does not rise, the foreigner pays the whole of the duty on the

¹ Speech at Maidstone. *Standard*, January 14, 1904.

² "Every protective duty is of necessity borne either partly or wholly by the foreigner on all the importations which he continues to bring in of the protected commodity." *Protective Duties, and what the Foreigner would Pay*. Cambridge University Press, 1905.

goods he continues to send. If, for example, owing to the various considerations indicated above, the price of corn did not rise after the imposition of the duty, the most favourably situated foreign producers, who continued to supply corn in spite of the 2s. impost, would have to pay the tax themselves: they could not transfer it to the consumer. On the other hand, there are instances where the consumer must pay the whole tax. In the case of a commodity like tea, which is not, properly speaking, protected, since it cannot be produced in this country, the importer will not continue to bring supplies on the same scale unless he can recoup himself for the additional expense involved in paying the import duty; he is able to transfer the whole burden to the consumer.

The real question to be considered is whether the English public are necessarily dependent on foreigners for the supply of some article, since the consumer then pays the duty; or whether Englishmen can supply themselves, if they try, on equally good terms, and thus avoid paying the duty in whole or in part. A large amount of the manufactured goods we import can be produced in this country at a cost of production very similar to that which is requisite abroad. If the British manufacturer, by extending his operations, can so far meet the demand that the price is not raised, the foreigner will pay the whole

duty on goods he continues to introduce. If the British manufacturer cannot meet the demand, and the price is raised a little, the foreigner will be able to recoup himself to some extent at the expense of the consumer. If the outlay in producing foreign motor-cars of a certain type is £300, and a tax of £30 is levied on importation, the foreign manufacturer must charge £330 in order to recoup himself at the ordinary rate of profit; if the British consumer objects to paying this price, the manufacturer may have to bring his demands down to £315, in which case the tax is halved between the foreigner and the purchaser; or, if he can only get £300, the foreigner pays the whole tax. The question as to who is made to pay really depends on the manner in which British producers utilise the opportunity afforded by the tax.

The Free Trade doctrine that a measure of Protection will necessarily render our manufacturers supine and careless is somewhat insulting; it is certainly not based on the experience of recent years in Germany and America. If British manufacturers were all content to pocket additional profits, because of the duty imposed, and made no effort to increase production, the consumer would have to pay; but it is clear that the force of internal competition would render it impossible for them to take this course. In

order to hold their own and push their business they would be forced to exert their enterprise and give increased employment; and in so far as they succeeded in meeting the whole demand at the old price, the consumer would not have to contribute to the tax. In so far as a tax protects, and gives more employment to the British workman, the foreigner is forced to pay on any quantity he continues to send. If the tax is successful in providing increased employment, it will bring in little or no revenue; if it brings in a revenue it does not provide employment. But articles of luxury which cannot be manufactured in this country are a very good source from which to draw a revenue; the rich consumer is a very good person to tax. On the other hand, when the rich are taxed as rich, the operations of the rich producer may be curtailed; while the taxation of the rich consumer has very little injurious effect upon the rest of the community. The new Protection is carefully discriminative in regard to the classes of consumers on whom the burden falls, and in this way it differs from the old Protection; its aims are limited and it is eminently reasonable; it holds out hopes, either of revenue drawn from a convenient source, or of increased employment, though not of both together. There are two strings to the bow, and one is good if the other fails.

THE OLD COLONIAL SYSTEM AND THE
NEW IMPERIALISM

Those who advocate Protection now, do not for a moment propose to go back to the system which was built up in the seventeenth and eighteenth centuries. That served its purpose, but we have outgrown it altogether; the aims we have in view are not the same as those of seventeenth-century Englishmen, and the means by which we can attempt to pursue them are necessarily very different. The old mercantile system aimed almost exclusively at the prosperity of Great Britain, not at the creation of a vast federation of self-governing polities. The policy, owing to existing conditions of taxation, was regarded as successful or not, according as the landed interest benefited and rents rose. Tariff Reformers recognise that our present economic system is on a commercial basis, and propose to offer no special advantages to the landed interest, except in so far as they see their way to benefit the rural population and small landowners. Tariff Reformers have taken to heart all that the experience of the nineteenth century has taught. The old Protection aimed at promoting the wealth of the country, as a fund from which taxation could be drawn; the new scheme is devised to promote the welfare of the inhabitants. The old Protection looked ex-

clusively at the Mother Country, and consciously subordinated all other interests to the increase of her resources; the new scheme welcomes the complete autonomy of each of the oversea dominions in pursuing her own interests, even when they conflict with those of some class in the Mother Country. The old Protection viewed trade with suspicion; the new scheme endeavours to promote it, and with that aim to place our commerce on such a basis that other nations shall not have the power to restrict it. It recognises the cohesive force of commerce, not, as Cobden thought, in doing away with all rivalry between nations, but as drawing together the different parts of our Empire into a conscious whole, and transforming a project¹ into a polity. The analogy between Protection as practised in the overseas dominions to-day and that which obtained in England in the seventeenth and eighteenth centuries is close; they are in a corresponding plane of economic development. But the proposed economic policy for Great Britain includes the benefits, that Cobden anticipated from Free Trade, of enlarged and secure markets.

The precise course of transition from one fiscal system to another is, of course, involved in some uncertainty; it is impossible to predict exactly what the manufacturers

¹ J. S. Nicholson, *A Project of Empire*, p. 231.

will do, or how quickly they will respond to the opportunity offered them to increase their operations. The period of transition may be prolonged; and while capitalists are uncertain whether the new system has come to stay or not, the full benefit in the way of absorbing unemployed workmen cannot be felt. But the risks of temporary inconvenience may well be faced in view of this fact, that the course proposed is the only practical suggestion before us for rendering the economic life of Great Britain more healthy and stable, and thus improving our position in the future.

There is good reason to believe that we can place our food supply on a more secure basis, and by increasing the demand for labour at home do much to absorb the unemployed. It is worth while to run great risks when the future of the country is at stake, if there is any reasonable prospect of attaining these objects. But the risk is comparatively small; we shall attach less importance to the prognostications of certain economic experts when we remember that they are the successors of the doctrinaires who denounced all philanthropic effort in the name of Malthus, who argued, from the principle of the Wages Fund, that trade unions could not raise the standard of life, and who strengthened Cobden in his opposition to the legislative restriction of the hours of labour for women and children. These

exponents of the working of the machinery of society have been able to delay, but not to prevent the introduction of improved conditions, and, like Giant Pope in the *Pilgrim's Progress*, their power for doing mischief has been greatly curtailed.

V

THE MECHANISM OF SOCIETY

OBJECTION IV.—Free Traders persist in treating society as a mechanism, and are prevented from taking account systematically of the bearings of the humanities—patriotism, imperial duty, or philanthropy—on economic life.

THE DISMAL SCIENCE AND THE MECHANISM OF SOCIETY

ENGLISH economists in the present day resent the charge of glorifying self-interest which was brought against their predecessors. Some of them have fundamentally altered their treatment of the science with the view of proving that they do not over-rate the importance of material wealth. But those economists who continue to insist on Free Trade as an axiom to be taken for granted in our commercial policy, will have difficulty in showing that their critics are merely ignorant and wholly mistaken. The repugnance which Dickens and Carlyle felt for the dismal science seems to have been due to the manner in which it viewed society as a mechanism for the production,

distribution, and exchange of wealth, while it left the humanities on one side ; and this stigma still attaches to Free Trade. It is an expedient for bringing all the world within the mechanism of exchange, and allowing that mechanism to run with the minimum of friction. Trade is the interchange of material goods, on the terms resulting from the play of individual interests ; the efforts which bring about an increase of the volume of trade take no direct account of such ideal aims as patriotism or philanthropy. These things can only be relegated to another sphere, as exceptional matters of which economic science has no cognisance ; they may be dealt with at our leisure, and they ought to be dealt with in such a fashion as not to interfere with the conduct of business : such seems to be the view of the thorough-going Free Trader. There are, indeed, times when it can be argued that one or other of the humanities is fostered, as a sort of by-product, in the working of the economic machine. Thus it is sometimes urged that the Free Trade system is admirable, because of the friendliness which it promotes among nations ; we are assured that it tells in favour of the realisation of universal brotherhood. But there is reason to doubt whether this beneficial result has been promoted as a matter of fact ; the friendliness of the nations which trade with us has not so far

stood any severe test. It would have been a friendly act on the part of the United States to submit the losses of Canada through the Fenian Raid, as well as their own losses on the high seas, to arbitration at the time of the tribunal on the Alabama case; but they refused to have the reference to the Commission enlarged.¹ It would have been friendly not to insist on points which were of little practical value to the United States, but were of great importance to Canada, when the Alaska boundary was settled; but the United States did not show their friendly spirit in that fashion. It would have been friendly for the French and for the Japanese, in revising their tariffs, to give more favourable terms to British manufacturers than they have done; but they are unwilling to sacrifice anything out of friendship, and unless they get a *quid pro quo* in return. That friendliness of a practical kind is induced by our Free Trade policy is a mere illusion; indeed it is difficult to see why those who advocate Free Trade should ever expect foreigners to sacrifice any interest of their own, out of sentimental gratitude to us for pursuing the policy which has only been adopted because it was believed to suit the interests of Great Britain. The mechanism of trade does not take us outside the sphere of present-day material

¹ J. Pope, *Sir J. A. Macdonald*, ii. 85—143.

interests ; and if we are anxious that, come what may, this mechanism shall run at its greatest speed, the humanities of every kind are certain to be left on one side.

In mediaeval, as contrasted with modern industrial life, this relationship was reversed, for the humanities came in the forefront, and interpenetrated the economic institutions. Personal dynastic connections gave the opportunity for opening up commercial relations. Price, in the Middle Ages, was built up by authoritative calculations on the part of "the good men of the trade" as to a fair return to the workmen, and as to terms which were not extortionate to a known public whose demands it was possible to forecast with practical certainty. The human element was consciously taken into account, in laying down any economic regulation. In modern times, on the other hand, the higgling of the market and the mechanism of exchange are treated as fundamental. The modern mode of dealing with the problems has the advantage of setting aside confusing elements, and of thus giving an apparent clearness which may, however, prove to be illusory ; modern scientific methods also enable us to measure with great accuracy the changes in business development and administrative convenience. But all consideration of the ideal aims towards which we may aspire as a nation lies beyond the scope of economic

science. The worth of patriotism, even of the material welfare of posterity, it cannot assess; aspirations for a nobler human life may evade the economic calculus, though they excite enthusiasm. Such ideal aims are the supreme ends in life; economic science has no pretension to decide whether we should pursue any of them or not, but it may be fitly engaged in devising means by which they may be attained. We claim that the humanities should once more be kept consciously in view, not to displace the mechanism of society, but to determine the manner in which the mechanism of society should be modified from time to time, and the fashion in which it should be allowed to run.

It is a complicated machine, and has contributed immensely to the supply of the comforts and conveniences of life, on a scale and with a regularity which was unknown in the Middle Ages; but it is a mechanism; and so long as it runs on remorselessly, the humanities are likely to be relegated to the region of sentiment. Competition is dominant everywhere; and the forces of individual competition, or of competition by associated individuals, determine the nature and conditions and terms of production. Those who desire that the industrial system should be once again moulded so as to subserve human welfare, and the highest interests of human life,

will have no superstitious respect for the self-acting mechanism of society. With full recognition of the power and effectiveness of the mechanism, they are not likely to have any desire to displace it; but they may yet think that it is the better for being guided and directed by a master. Trouble is likely to ensue when a motor-car or other machine gets out of hand; and a community is not in good case if it allows itself to be run away with by the mechanism which it could control if it tried.

CARE FOR THE FUTURE OF THE COUNTRY AND THE WELFARE OF THE PEOPLE

As we have seen, Free Traders do not sufficiently realise the importance of habitually looking ahead; and they are debarred from taking any effective action for the future of the country so long as they cherish a superstitious reverence for the mechanism of society. This complicated machine operates through the play of individual interests; the force of individual foresight which can be assumed is limited by the length of human life. Individual competition, or the competition of associated individuals, aims at obtaining profitable results in the present, or the near future; it cannot even carry through great schemes, such as afforestation, which offer a deferred gain, or start measures of improvement which are

only remunerative indirectly ; it does not provide for the advance of skill, the increase of public health, or for real foresight in the managing of our resources. *Laissez-faire* has been checked again and again by State interference, in the interest of particular classes ; but such spasmodic interference and attention to particular interests in turn are dangerous. The prevalence of Socialism, and the agitation for so-called Socialistic legislation, are evidence of a demand that this subordination of the economic mechanism to human welfare should not be occasional and haphazard, but should, instead, be carefully thought out and habitually taken in hand. And this may be most simply attempted when collective foresight is brought to bear by means of political authority and public administration. There is a pride of country, as well as a pride of race, and the desire that the inhabitants shall maintain themselves on a high standard of comfort is a true form of patriotism. The determination to secure a better level of human life than obtains among the peoples of less favoured countries is more specially noticeable in the United States. But there are other ideal aims which the citizen will cherish—if he has any soul. In a country with a long history the consciousness of a great past will act as an inspiration for attempts to maintain the community as a powerful

influence for the future. This is the only way in which the British citizen can show his sense of the heritage of just administration and personal freedom and public spirit which he has received from the past. He would surely be loth that the stigma of allowing his country to sink into unimportance should attach to him and his generation. He may even cherish hopes that his country has a future before it, and that England may be able to set an example of solving present-day social problems, as it has set an example of solving problems of government in bygone days. The great object of Tariff Reformers is to obtain freedom from the tyranny of the economic machine, so that they may be free to take the measures which will make for the welfare of the country in the future.

IMPERIAL PREFERENCE AND IMPERIAL DEVELOPMENT

In urging that we should be free to use the best means for systematically promoting the welfare of Great Britain in the future, Tariff Reformers are taking a position exactly equivalent to that of the German, French, and American patriots, who resented the manner in which Cobdenism was retarding the development of their native resources, and who therefore introduced a system of Protection against English manu-

factures. But the English patriot has another ideal aim as well ; the great nations which have been formed by the planting of the English stock and English institutions beyond the seas demand his care and consideration ; the Mother Country has expended vast quantities of blood and treasure in founding them, and is responsible for their defence. The material prosperity of the Empire can, on the whole, be most effectively promoted by affording to each part the best facilities for developing its resources. It is the direct concern of a citizen in any part of the Empire to promote the material progress of his own country ; and he is also concerned, as really but more remotely, to see what he can do for the benefit of other areas, so as to promote imperial prosperity and solidarity. It is not the function of Economic Science to say whether imperial solidarity is or is not a political object at which we ought to aim ; but economists are called upon to show how this common object may be secured at a minimum of inconvenience and expense. Those who have no superstitious dread of tampering with the economic machine will be willing to consider how far it is possible to give greater consciousness of unity to the Empire by allowing ties of interest to be formed in addition to the existing sense of loyalty. The Mother Country could, in the near future, supply her chief needs, of raw

materials and foods, from within the British Empire, and it might be of great advantage to many oversea dominions to have access to the market of Great Britain on more favourable terms than are accorded to foreigners. If the wine-growers of the Cape and of Australia were assured a preference over the Big Tree Brand, it might be a stimulus to production within the Empire, while the sacrifice incurred by the consumers in Great Britain would be slight. The Canadian may also show an ulterior concern for imperial prosperity, though his direct concern lies in the development of his own native land. He will wish to develop manufactures on his own soil, and may tax British manufactures in order to give infant or struggling industries a fair chance. But when the interests of Canadian development have been safeguarded, the steps that are advisable for the good of the Empire demand consideration. Much has already been done by granting a preference to English manufacturers over their foreign rivals. The loss to individuals in Canada is slight; no public injury has been done, and the boon to this country in the maintenance of a favourable access to this market, as compared with foreign competitors, is very great. Imperial Preference is a proposal that each part of the Empire should use its freedom to promote its own progress as far as possible, but that the in-

terests of other parts of the Empire should not be wholly ignored.

SECURING A DOUBLE BOON WITHOUT CONSCIOUS LOSS

The critics who ridicule this proposal seem to be unable to understand it, because they think of the transaction as a contract, and imagine that the Mother Country is to be called upon to make a sacrifice, on consideration of receiving the benefit of a similar sacrifice from each of the oversea dominions in turn. This habit of mind betokens a reversion to the mental state of the early economists, who thought that if one man gained by an exchange another must lose; but there is no question of trying to measure the relative loss, and find if there is a strict "equality of sacrifice." Sacrifice cannot be accurately assessed in this way. Something which is of little use to me may be of immense benefit to a neighbour whose circumstances enable him to put it to use. The whole meaning of the proposal of Preference is that the boon conferred by the oversea dominions, or by the Mother Country, in granting the preference, is out of all proportion to any inconvenience that may be involved; and that the inconvenience is incurred as a means of promoting the welfare of the Empire as a whole, and not merely for the sake of any one part. There is sure

to ~~on~~ occasion, in every country which forms part of the Empire, to sacrifice some immediate interest for the sake of a future benefit in that same country, but there is no need to ask any part of the Empire to sacrifice its own interests to those of any other part. The Mother Country may be glad to offer a preference to the importer of food from the oversea dominions, because it is to her interests to put her food supply on a sounder basis. The new nations can offer a preference to Great Britain, without any sacrifice of their direct interest in attending to the development of their own resources. The whole idea of bargaining, and of the balancing of interests, is beside the mark. Each part of the Empire is asked to pay direct attention to its own development, and also to consider the prosperity of the whole, since in this all are concerned; that is a positive programme.

THE FRUITS OF THE COBDENITE POLICY IN INDIA AND IN IRELAND

The Cobdenite policy with regard to the colonies had the merit of simplicity: the cash nexus was all that the Free Traders cared about, and it was a matter of indifference whether trade relations were established with a British colony or a foreign country; the amount of the annual turnover was the only point to be considered.

There was no sense of any duty to develop the colonies ; they might be left to look after themselves. As the system of free competition spread, there was reason to hope that England would be able to manufacture for the greater part of the world, and that her colonies, like other undeveloped countries, might be willing to accept a position of economic dependence : it undoubtedly was to their immediate interest to do so, as they could obtain a larger amount of the comforts and conveniences of life in the immediate present, at cheaper rates, by taking this course. But the oversea dominions, one after another, have determined to take their future into their own hands, and to undergo some present sacrifice for the sake of future development ; as they have attained to self-government they have refused to submit to economic dependence. In two cases only has there been an opportunity afforded to us for pursuing the Cobdenite policy. Neither Ireland nor India has had the means of asserting its economic independence, and in both countries there is a widespread belief that they have been deliberately exploited in the interests of English manufactures, and that Free Trade has done them irreparable injury. The agitation against exposing India, with her highly skilled and artistic industries, to unrestricted competition with the machine production of England, was originated thirty

years ago by Mr. Justice Ranadé,¹ and it has grown and flourished since, so as to be a nucleus of political sedition. Nor has the exceptional treatment which Ireland has received removed the sense of injustice in regard to her manufactures. It is enough to point out that the system of preference is compatible with perfect liberty and increasing loyalty, because no sacrifice of any national interest is called for; while Ireland and India have been forced, under compulsion, to submit to Free Trade without being consulted, and for the sake of English interests; in both these cases economic dissatisfaction is associated with political unrest.

THE EVILS OF INTER-RACIAL COMPETITION

Free Trade is apt to plume itself on its cosmopolitan character, and the alleged fact that it rises above the narrowness of nationalism to take stock of the wealth of the world as a whole; but it is just in this aspect that its implicit inhumanity comes into clearest light. The advocates of Free Trade represent it as a system by which each country co-operates for the good of all the rest; and undoubtedly the effect of free intercourse is to give each country the best facilities for obtaining products which it cannot grow or manufacture. But the in-

¹ *Essays on Indian Economics*, p. 29.

vention of machinery, and the transportation of it to all parts of the globe, have helped to equalise the facilities for industrial production which exist in many different lands, and to deprive each of its special character. Under these circumstances, with the possibilities of easy access to large and distant markets, there is keen international competition between manufacturers in different parts of the globe; and in some cases this takes the form of competition between labourers of different races. The cotton mills of Bombay and the Deccan compete with those of Lancashire and Lowell; the remunerativeness of the mines on the Rand is affected by the working of those on the Klondyke. The black man has entered the field of industrial competition with the white races, and the services of the yellow races are being actively brought into play as a new element. The system of world-wide Free Trade would treat all these areas as parts of the economic mechanism, and allow free play to competition between them. But this is injurious both to the white man and the black; there is a danger that the coloured races, with their lower standard of requirements, should undersell the white man and cut him down to a lower level of comfort; there is also a danger that the black man may be forced to work with an intensity which he cannot stand, and be worn out

in the contest. The free play of economic forces has been responsible for terrible suffering at home, and it has also worked untold disaster in distant regions, where the black man has been exploited by the white.

While many Free Traders are aware of these disastrous consequences throughout the world, and deplore them, they are precluded by their economic policy from systematic efforts to prevent them from arising; they can only attempt to correct the worst evils here and there by occasional agitation. But this is a slow and cumbrous method of effecting any improvement. The condition of affairs on the Congo has called forth an intense feeling in this country, but there has been much controversy as to the accuracy of the charges made, and it has not been easy to bring the necessary pressure to bear upon a European ruler; the difficulty is far greater in the case of semi-civilised powers, where administration of every kind is ineffective. The problem is one of great difficulty, and taxes the capacities of the Anglo-Saxon race. The United States have done much to maintain a high standard of wealth for the white labourer, but they have had little care either for the black men or the red. The best opportunities for successful experiment occur within the Empire. It is the glory of British rule that efforts are made to give a fair showing to all races; but steady and careful

administration, by men who are determined to see that the black man has fair play, is the best chance of making something of him, and of finding a permanent place for him in a modern organised society. English officials all over the Empire are working at the problem of giving the black man his chance, where two races are living side by side on the same soil. It is by moulding the economic system of each area, in its methods of land tenure and system of employment, that the best in native races can be preserved and developed; but this requires that there shall be protected areas from which the independent trader is excluded. The extension of international competition must be limited in the interest of the weaker races of mankind.

The mechanism of society is admirable; but by merely trying to see that this shall run smoothly and rapidly we cannot solve any problem. All those who are interested in humanity, whether their ideals are political, socialistic, aesthetic, or religious, have this in common, that they desire, in order that the aims they have at heart may be realised, to see economic forces brought under control.

VI

FREE TRADE FINANCE

OBJECTION V.—The maxim that taxation should be raised for revenue only, in so far as it is relevant to the present controversy, appears to tend to the sacrifice of public welfare to administrative convenience.

THE confusion in the Free Trade camp is so great, that there is some difficulty in finding any precise principle which all of those who advocate this policy are prepared to maintain. Many of them have given up the pretence of being able to guide us by demonstrations based on abstract principles that are universally valid. Many have abandoned the Cosmopolitanism of Bastiat and Cobden, and are frankly in favour of bestirring ourselves to take account of imperial interests, even though they have an unreasoning fear of the precise proposals now before the country. But there is one point on which they all have hitherto been agreed—that in framing a Budget taxes should be imposed for the purpose of raising revenue, and for that only. This principle

looks excellent on paper, but difficulties arise when it is put in practice. If the affairs of state could be separated into water-tight compartments, of which some were labelled economic and others political, it might suffice. But as a matter of fact financial measures have incidental political effects, whether we like it or not; the two aspects of life cannot be kept distinct, as Free Traders always seem to assume.

PAYMENTS OUT OF REVENUE FOR NATIONAL ECONOMIC OBJECTS

This fiscal principle is to a large extent irrelevant to the present controversy. The old Protective system, as built up in the eighteenth century, depended to a large extent on payments made out of revenue for political and economic purposes, rather than on the pressure of taxation and the methods by which revenue was raised. Several of the points which have been discussed during the last few years lie outside all questions as to the raising of revenue, and are simply concerned with spending. The subsidising of lines of steamers has been done to a large extent by England, and by a Free Trade country like Denmark; and the whole controversy about the sugar bounties has been concerned with a convention in regard to spending and not to

receiving money. Under Lord Cromer, the great advocate of Free Trade, a bounty was given on the raising of sugar in Egypt ; he had no scruple in spending money for an object which he would not try to promote by imposing a duty. It seems pedantic of Free Traders to insist that we must tie our hands tightly in regard to the precise means we use for the attainment of political and economic objects. In some cases it may be possible to attain our ends by offering a reward out of revenue, in others by exacting a penalty or imposing a disability in a form which goes to swell revenue. Tariff Reformers urge that we should be free to employ either expedient, whichever is most convenient, while Free Traders insist that the national exchequer shall always pay for national boons, and never attempt to secure political and economic advantages by means which may bring in revenue as well. The Free Trader is willing to pay money out of the exchequer for national advantages, but he objects on principle to secure the same advantages by any method which brings incidental gain to the exchequer. This system of finance may be economic purism, but it seems to lead to pedantic extravagance.

PROBLEMS OF TAXATION AND INCIDENTAL EFFECTS ON PRIVATE INTERESTS

When we turn from the question of the spending of revenue to discussing the manner of raising it, we are confronted with a whole series of difficult questions. Taxation is money taken from a citizen under compulsion, to be used in ways over which the individual citizen has very little control, and possibly to be expended on objects of which he does not approve. On all grounds it is desirable to keep taxation at the lowest possible figure, and this should be one of the great aims of the Administration.

Taxation is apt to be a cumbrous implement, and we ought not to employ it unnecessarily; it always imposes a certain amount of restriction and inconvenience. We can tell how much is received, and estimate the cost of collection, but we can never tell how much inconvenience is entailed on the citizens, especially on those who discontinue the use of an article because of its high price under taxation. In this connection we may note that the Ministry is forced to take account of private interests in considering how taxation shall be raised. Any scheme they put forward is sure to be criticised from the point of view of aggrieved citizens. It is impossible to levy any tax that shall be exactly fair, as regards two citizens whose circumstances are very

different; one may pay it and another escape it altogether, or both may pay it, or one may even gain by it while another bears the expense. The whole question as to the incidence of taxation is exceedingly difficult; but it is obvious that some persons can recoup themselves for the taxes they have to pay, while others have no opportunity of shifting the burden. In some cases one class of citizens may gain by the manner in which a tax is imposed; this may frequently occur as regards the dealers in taxed articles which are usually sold in small quantities: the tobacconist may be able to raise his price per ounce out of all proportion to the amount which he is himself out of pocket. Or, to take a trade where foreign competition comes in: the taxation on imported beer and spirits has given English brewers and Scottish distillers a relative security in the home market. On all these grounds it is necessary that account should be taken of private interests, by the administrator, in considering the manner in which the revenue should be raised. The line of least resistance is likely to be followed by the Government official, who is apt to think merely of administrative convenience—how to get the money in the simplest fashion and with least irritation to the public and least trouble to the department; this is his business. But any one who claims to be

a statesman may be expected to recognise that finance has an indirect bearing on the welfare of the people, and that considerations, not only of private interest, but of public welfare, should be taken into account in his proposals as to the manner of raising revenue.

UNWILLINGNESS TO CONSIDER THE ULTERIOR EFFECTS OF TAXATION

The Tariff Reformer complains that no effort is now made to consider public interests in deciding how the revenue shall be raised, and that, in consequence, public interests are neglected. It would be possible to levy taxes that will fall wholly on the British consumer or, on the other hand, to levy taxes that will fall partly, and perhaps wholly, on the foreigner. To the Government official at the Treasury, it does not matter who pays, so long as the money is obtained; but there can at least be no harm in trying to consider this point, and adjusting the necessary taxation with reference to the relief of the British contributor. It would be possible to levy taxation that shall tend, by its incidence, to increase the demand for labour at home and to help to absorb the unemployed, or, on the other hand, to levy taxation in such a fashion as to drive capital abroad and to diminish employment at home. Tariff

Reformers ask that this consideration should be taken into account in devising the manner in which the necessary revenue is raised. But Free Trade stands as an obstacle in the way ; so long as it exists we cannot attempt to discriminate in regard to these matters of fundamental importance for the welfare of the people.

The maxim that taxation shall be levied for revenue only seems to mean, in its practical interpretation, that convenience of collection is the chief thing to be considered, and that the ulterior effects may be left to chance. It is only necessary to state the principle in this form in order to expose its ineptitude. Matters of fundamental importance may be affected by the slow and cumulative action of forces, which ought to be carefully sought for since they are easily overlooked. The statesman may well take account of the ulterior bearing of some fiscal expedients which are highly convenient. If he only deals with public welfare occasionally and in a haphazard fashion, when unemployment or some other obvious evil has become intolerable, there will be the maximum of economic disturbance and the minimum of benefit to the welfare of the community. The Tariff Reformer asks that the statesman should be set free to consider systematically and habitually how taxation may be levied, not merely with reference to the convenience of the

Administration, but with reference to the welfare of the public. There are ~~two~~ suggested lines of reform : it is proposed that in regard to imported goods which can be produced in this country, the taxation to which they are subjected should be graded according to the amount of labour embodied in them. This principle is absolutely disregarded in our present system of dealing with such imported necessities as tea, and such imported luxuries as motor-cars. Again, it seems desirable that the possibility of transferring the burden of taxation from the British consumer to the foreign producer should be taken into account, and that taxation should be graduated according to the value of goods imported, so that the poorer qualities, consumed by the poor, may be lightly charged ; but on all such matters the Free Trader prefers rough-and-ready methods, and refuses to take the trouble to discriminate.

There may be some adequate excuse for this determination to disregard the economic welfare of the British public, but it does not suggest itself easily. The attitude of the Free Trade party is less intelligible, because they have been so notoriously inconsistent in this matter. The Budget which occasioned a conflict with the House of Lords was a striking instance of additional taxation being imposed, not for revenue, but in order to carry out certain views as to social

welfare. The taxation of alcoholic drinks was already so heavy that it seemed possible that the margin of profitable taxation had been reached, and that additional fiscal burdens would result in a diminution of revenue. But the Ministry were so eager to promote the cause of temperance that they insisted on carrying a fiscal measure which, as it was alleged, would diffuse this virtue. That taxation is a crude and uncertain instrument for producing a moral result did not apparently weigh with them; administrative convenience suggested the point at which pressure could be most easily brought to bear, and an attack was made upon the retail trade. There seems still to be some difference of opinion afloat as to whether this step was really in the interests of temperance or not. The conditions of town and country are different, and a change in the habits of the consumers of alcohol is not necessarily a change for the better. There may be less consumption in public-houses, where the conduct is public and under supervision; but this is not a gain if there is more drinking in private houses and in clubs which are not under effective control. It would be difficult to find a case where the uncertainty of attempting to secure a moral result by fiscal means is more obvious; but none the less, the measure is a striking example of readiness to impose taxes for a supposed matter of

public welfare, and not merely for revenue ; and it is a complete abandonment of the platform from which Free Traders denounce the scheme of Imperial Preference.

COLLECTING REVENUE IN LARGE SUMS

The pursuit of administrative convenience, in disregard of ulterior effects, was illustrated by the parts of the Budget which affected the owners of land and the payers of income tax. There is convenience in getting money from the wealthy in large sums ; and this course is popular, as it is obvious that they can afford to pay without being exposed to personal physical privation. But in its pressure, the tax is unfair as between the various persons who contribute. The moneyed man, who derives his income from capital invested abroad, is able to evade the tax, while the landowner or large employer of labour cannot. The Germans are beginning to recognise that investment abroad is not a sign of national welfare, and that the man who indulges in this mode of using his wealth should be specially taxed. Our rulers take a different view ; and this is all the more serious because their measures, dictated by fiscal convenience, put pressure on the rich man merely because he is rich and much money passes through his hands. The important question for the sake of public

welfare is not as to whether he has much money, but as to the use he makes of it, and of this fiscal convenience fails to take account. The rich man who uses his wealth directly in the employment of British labour, on his estate or in his business, is in an entirely different position from the idle rich man whose income goes in the purchase of commodities, and who is not conscious of any influence he exercises in the employment of British labour. By confounding the enterprising rich with the idle rich, the measure appears to be unjust, and it also entails a serious risk of checking enterprise, especially of checking enterprise in the application of capital to the land. In the past the country gentry have been active pioneers of agricultural improvement, and it remains to be seen whether they will be left with the means of carrying on the same course in the future.

To attack the rich as rich is a convenient fiscal method : it is the favourite expedient of Oriental despots, or to apply a phrase of Sir Henry Campbell-Bannerman's, it is one of the "methods of barbarism." But the un wisdom of this financial practice has been demonstrated once for all ; whatever other causes may have combined to produce the decline and fall of the Roman Empire, there can be little doubt that this was an important factor.¹ Heavy responsibilities

¹ Cunningham, *Essay on Western Civilisation in Ancient Times*, pp. 183-7.

for expenditure on public objects fell on the shoulders of the rich, and many of them were impoverished, whilst taxation affected the man whose capital was invested in business, and there were difficulties in the way of the formation of fresh capital. The introduction of any influence which blights enterprise, and checks the development of our resources, is the most serious of all possible economic evils : it attacks national progress at the very heart.

VII

INJURIOUS TACTICS

OBJECTION VI.—Free Traders have advocated their cause in such a manner as to exercise an unwholesome influence on the electorate.

THERE is always a difficulty in arguing against any doctrine, and at the same time in being perfectly fair to the persons who hold that opinion; and this is especially true in regard to such a matter as Free Trade when the advocates differ greatly from one another. It is only possible to get at a sort of composite photograph of the typical Free Trader by reading the pronouncements of prominent men and listening to ordinary conversation in Free Trade circles. Undoubtedly some who call themselves Free Traders will disclaim particular features, and protest that the whole is mere caricature. At any rate, this protest involves an admission that there are varieties of opinion among Free Traders. There has, indeed, been an increasing disintegration in the Free Trade phalanx;

they are agreed in what they denounce, but they are hopelessly at variance in regard to the legitimacy of even attempting a constructive policy ; efforts to frame such a policy, if they were seriously undertaken, would bring out irreconcilable differences. On the other hand, there has been increasing cohesion in the Unionist camp. In the election of 1906 the party was much divided, and party organisers showed no enthusiasm for Tariff Reform. Since that date, however, it has been steadily making its way ; and an alteration in our fiscal system has come to be recognised as the first plank in the Unionist platform. It is true that after three general elections we are still in some uncertainty as to the precise hold which Free Trade retains throughout the country. Though the Labour and Irish parties act along with the Liberals at present, they certainly sit very lightly attached to the principles of Free Trade. The cause of Tariff Reform gained immensely in the interval between 1906 and 1910, and it appears to have made progress, even in Lancashire, during the past year. What the verdict of the country may be, when public attention is concentrated on this question, remains to be seen ; but in the meantime considerable instruction may be derived from the manner in which the Free Trader has advocated his cause before the electors.

RELUCTANCE TO FACE THE ISSUE

Free Traders profess to be convinced of the strength of their cause, but it is remarkable that they should appear to be unwilling to face the issue. Tariff Reformers are eager that this great question should be thoroughly thrashed out; they want to awaken the people so that they may realise the importance of the decision they are called upon to make. A commercial country, which is not making progress in the appliances and organisation of business, is in danger of declining, for the world does not stand still; and we must be ready to keep up with the times. We ought to be constantly on the alert with the view of introducing new methods, and improved conditions for business, if we are to hold our own in the circle of the world's commerce, and to continue to purchase the supplies of food we need. Free Traders are satisfied to let well alone, and show no anxiety as to the continuance of our commercial prosperity. Despite the fall of Consols, and the rise of coal, they have no proposals to make which might either reassure us as to the maintenance of our position, or offer the prospect of a farther advance; they are content to prophesy smooth things, and to follow the public whom they have misled. The supercilious manifesto,¹ in which fourteen

¹ *Times*, August 15, 1903.

professors denounced the popular errors involved in an agitation for preferential tariffs, gave an excuse to politicians for dismissing this topic with a sneer. The suggestion that the Referendum might be introduced—a method by which a definite issue can be submitted to the people,—met with no response from the Free Traders. The Tariff Reformer is anxious that the issue should be raised at once before we have drifted into a more serious position. He believes it is better that Englishmen should be convinced of the mischiefs of Free Trade policy by argument, than that they should be left to have them driven home in the bitter school of experience. He holds that the stars in their courses are rendering the deliberate abandonment of Free Trade inevitable; he is under no temptation, as Mr. Harold Cox alleges,¹ to “pray for a slump in trade” in order to justify a change of policy.

The manner in which the agitation on behalf of Free Trade has been conducted has been very mischievous. The ordinary level of party politics is not too high, and petty personalities and private prejudices are terribly in evidence. On any occasion when a really great issue is raised, which affects the destinies of the country and the welfare of future generations, there is a chance of setting the controversy on

¹ *Cambridge Daily News*, May 2, 1911.

a high plane, and of making the electors realise the immense responsibility that rests upon them. The ordinary elector finds thinking very hard work: there is some difficulty in rousing his attention and in holding his interest on large and far-reaching questions. But the ordinary elector does see that this question is of unusual importance, and he has been anxious to understand a controversy in which the supply of bread and the opportunities of employment are involved. He has desired to do his duty in the matter; and it is unfortunate that he should have been distracted from the effort to understand a complex question, and to see the wise course, by appeals to his pity for indentured labour, and by raising unnecessary and baseless expectations. Great opportunities for educating the electors and helping them to realise their responsibilities have been thrown away in consequence of the tactics which have been adopted by the party which advocates Free Trade.

PLAYING ON THE INHERITED PREJUDICE AGAINST LANDLORDS

Even more serious has been the readiness of the Bishop of Hereford¹ and others² to

¹ *Times*, January 21, 1904.

² *Guardian*, November 23, 1904.

play on class jealousy, and thus to increase class prejudice. In these tactics the Free Trader has been true to the worst traditions of his party. The Anti-Corn Law League organised what was almost consciously a class agitation ; as a representative of the masses in the towns, Cobden attacked the country gentry and the public services in which they found employment. There was some excuse for this indignation at the time. The Corn Law of 1815 rendered it impossible for various countries to purchase British manufactures as freely as they would otherwise have done : the immediate and obvious effect of the measure was to benefit a class by keeping up rents. The ulterior result of having a large supply of home-grown corn appeared to be put forward as a mere excuse, for more and more productive methods were being introduced, and the natural protection afforded by the cost of freight rendered it unlikely that British agriculture would ever suffer from foreign competition. The opinion put forward by Cobden,¹ that England enjoyed so much natural protection that Free Trade would have no effect in reducing the value of agricultural land, appeared to hold good for thirty years. It was impossible for him to foresee that there was any real danger connected with our food supply, against which the Corn Laws

¹ *Speeches*, July 3, 1844, I. 204. Also February 27, 1846, I. 397.

helped to insure us. Cobden was impatient with the country gentlemen, since he regarded them as both stupid and selfish; and from his point of view there was excuse for the vein of class-bitterness which runs through his speeches. He did appeal to the intelligence of his hearers; but there was an underlying dislike which sometimes came to the surface. Throughout the revived controversy, which has been going on during the last decade, the Free Traders have shown themselves ready to imitate Cobden in this mannerism, though the excuse for it has long since passed away. The landlords have ceased to be a privileged class; they have invested in the land large sums, on which they have received a very small return compared with that which they would have had if it had been invested in business. During the last thirty years the value of their property has depreciated by a sum which is roughly equivalent to the whole of the National Debt. Their influence has been curtailed in many ways, and they have not the power—if they had the will—to be a danger to the community. There is no excuse whatever for reviving the attacks on the landlords as a class, and for repeating abusive catchwords which have lost all meaning.

PLAYING ON THE DREAD OF GIANT
CAPITALISM IN AMERICA

The modern Cobdenite has been able to import a fresh element of social jealousy into the discussion. Since Tariff Reformers advocate a tariff on foreign manufactures, as well as the imposition of a duty on corn imported from outside the Empire, it has been possible to bring another element of class-bitterness into the fray. In America the tariff is designed to benefit the manufacturing interests, and in America there is a very strong feeling on the part of labourers that they are oppressed by capital. It approximates to the intensity of the antagonism to the masters which existed in this country between 1800 and 1824, when, owing to the action of the Combination Laws, the workman who endeavoured to bargain for better terms for himself and his fellow workmen was branded by law as a criminal. The power of capital in the United States is practically uncontrolled, and may be exercised in a very arbitrary fashion. Conditions are very different from those in this country, as it would be extraordinarily difficult to get any factory law passed and enforced throughout the whole area of the States; while the railway system of the States has grown up without such systematic control as is exercised by the Railway Commission and the Board of Trade. Further,

the proceedings of public authorities in America, are much less fully reported than are Parliamentary proceedings here, and there is in consequence very little opportunity for effective criticism or for an appeal to public opinion. It is comparatively easy for an unscrupulous capitalist to obtain backing from the authorities of his State, or of a neighbouring State, where the administration may happen to be lax. The opportunities of public criticism in this country are frequent, and the force of public opinion can be readily and effectively brought to bear; the chance of any capitalist being able to run his business so as to benefit himself at the expense of the public is comparatively small. But the Free Trader overlooks these obvious differences between Great Britain and the States, and borrows the feeling against the arbitrary use of capital in America to discredit the Tariff Reform movement in this country. Attempts have been made to show that the subscribers to the Tariff Reform Commission are willing to pay, because they hope to get the Government to use its power to favour their private interests. The Radical papers denounce the monopoly of trusts—such as the one of which the firm of Brunner, Mond & Co. is a member—and point to them as an evil which might come into this country if we were not protected from the arbitrary tyranny of capital

by the ægis of Free Trade. For good or for evil this form of business organisation has come to stay in this country as well as in others.

There was a time when the Liberals professed to regret that the controversy as to Imperial Preference had been made a party question. Considering the habits of our political life, that was probably inevitable; but unless they wished to do so, Free Traders need not have furbished up the meanest weapons of partisan warfare. To attribute base motives to an antagonist is the characteristic mark of an unscrupulous partisan. He asserts as fact that which he obviously does not know to be true, because he cannot tell what any one else's real motives are; while he does not know at all, he is ready to believe the worst. This has been the favourite device of the Free Trader in arguing this great question; he accuses his opponents of being ready to subordinate public good to private gain; and no other line of advocacy evolves much response. The reiteration of the old Free Trade principles fails to be effective; they were once plausible, but the nation at large has begun to realise that they are not true.

SELF-INTEREST CLOAKED IN SENTIMENTALITY

In an ordinary way we are inclined to believe that the readiness to impute mean

and selfish motives is a mark of personal disposition, and that the mean and selfish man is only attributing to others what would be natural to himself. But this is not the case in regard to Free Traders; there is no reason whatever to make the line of argument they have adopted the occasion of any allegation about their personal characters. The class-bitterness they import into the discussion is directly connected with and inherent in their principles. As we have seen, they view economics as dealing with the action of self-interested motives; but yet they believe that the play of competition, which dominates our industrial life, is beneficent, and necessarily tends to the public good. They believe, with Bastiat, that there is an overruling Providence which brings a beautiful harmony out of selfish passions. They are inclined to admire the mechanism of society, with all its apparent defects, as inevitably working for the worthiest ends, and to revere it as a divine masterpiece. Any interference with Free Trade is regarded by them as an insidious attempt to cheat a man out of the share of goods which he might have enjoyed, and as being inconsistent with duty to a neighbour. It is in some such fashion as this that the advocates of Free Trade are led, with fervid rhetoric, to speak as if this economic doctrine were part of the Sermon on the Mount. Those who have come to look at the matter from

this standpoint can 'hardly help regarding opponents as monsters of iniquity, who deliberately discard the public interest and indulge their greed of gain at the expense of other people. Against such an opponent as the diseased imagination of the Free Trader conjures up, he may feel that he ought not to mince his language or weigh his words too carefully. He persuades himself that it is a duty to denounce the advocates of Fiscal Reform with all the force at his command, and he appears to have no anxiety about the possibility of bearing false witness against his neighbour.

Men who have worked themselves into this state of mind are a very serious danger when they intervene in public life, because their very sense of duty constrains them to use their influence in a manner which tends to corrupt the electorate. This great political question comes to be treated as one of immediate personal interest. The Free Trader habitually waives aside any consideration of future food supply, or the welfare of the country in time to come ; he attends solely to consumption in the present, and sets the electorate to think—so far as he appeals to their thinking power at all—of immediate interests. He frankly disbelieves in the existence of public spirit as a force that could lead any man to advocate a considerable change in our fiscal system, and he has no scruple in appealing

from what he regards as the mere personal self-interest of the landlord and capitalist to the personal self-interest of the poor man. But to teach the poor man to exercise his political power without any thought of the good of the State, and merely with reference to his own personal and immediate interests, is to degrade him. The manner in which the cry of the Big Loaf has been raised—with the implication that Protection caused dearth in the past and is likely to introduce it again in the future—is evidence of the readiness of the Free Traders to have recourse to an argument that will tell, even when they are quite unable to show that it is sound. To offer the electors generally a bribe of cheap bread is none the less corrupting, even if those who make the promise know they cannot fulfil it. Politicians who pose as nervous lest any taint of corruption should affect the administration of public affairs, might have been expected to be more scrupulous about resorting to wholesale bribery.

PRECURSORS OF DESTRUCTIVE SOCIALISM

The Free Trade movement is running its natural course: it was generated with a vein of class-hatred, and it may easily be transformed into a threat to society. Both the landed proprietors and the capitalists have been caricatured by the Free Trader

as greedy self-seekers, and the poor man may be persuaded to take him at his word, and to welcome attacks on either one or other. Personal immediate greed is the force to which the Free Trader has deliberately chosen to make his appeal, and personal immediate greed takes little thought for the enforcement of justice, the security of person or property, the defence against enemies, or the maintenance of religion and culture. From the efforts of constructive Socialism for the welfare of humanity, Free Traders are inclined to hold aloof, for they have not shaken off their belief in individual energy and enterprise, however ready they may be to discourage them. But with the destructive side of Socialism they have a natural affinity; from inculcating on the elector carelessness about the maintenance of the existing order so long as his needs are satisfied, there is but a step to encouraging him to destroy that order with the view of satisfying more of his needs.

Cobden and the pioneers of Free Trade really had the public good at heart; they saw that England could make use of her temporary monopoly in manufacture, and they hoped that it might become a permanent monopoly. They recognised that, so long as this monopoly lasted, Englishmen would gain by free intercourse, and would secure an enormous market abroad, and be able to purchase the products of foreign

countries on very cheap terms. But that state of affairs has long since passed away ; it is only an economic conservatism that clings to the established system as if it were still beneficial under changed circumstances. Free Trade has no corrective to offer for unemployment, or for the shrinkage of our markets abroad, or for the decline of our industrial population in the power to purchase imported food. For the present it has been able to maintain itself by appeals to the passions and the greed of the electorate, and there is little sign that Free Traders are ashamed of having had recourse to such weapons.

VIII

CONSCIOUS CO-OPERATION WITHIN THE EMPIRE

OBJECTION VII.—Free Traders have ceased to rely on their principles in practice, but they still use them as a pretext for declining to promote conscious co-operation within the Empire.

STATE INTERFERENCE FOR NATIONAL OBJECTS

COBDENITES are inclined to boast that during the last sixty years they have not changed their principles, and that these remain as clear and definite as ever ; and this Tariff Reformers readily admit ; but they venture to point out that there has been a complete change of practice. Free Trade principles were once accepted as rules for national conduct ; but they have become so completely riddled by exceptions that they have ceased to be respected as authoritative guides. Free Traders are not prepared to apply their principles with the easy confidence with which Manchester men regarded them when the Free Trade Hall was built.

The Free Trade movement, as we commonly speak of it, was the application to national commerce of the principle that individual energy and enterprise could be trusted to provide the greatest amount of all that money could buy for a country. The early Free Traders believed that every interference with economic freedom diminished the mass of conveniences and comforts of life which were available in the nation, and that it must be an injury to the community, however specious the arguments might be by which interference was advocated. That attitude of mind has been generally discarded; for example, it is admitted nowadays that public health is not secured by the free play of individual interests. Before the Corn Laws were repealed, the outcry against the deterioration of the national stamina which was observed in the factory districts, and the scare caused by the cholera, had already brought about a vast amount of legislation which was denounced by economic purists as injurious interference with the economic freedom of the individual.

Education and industrial training are other national benefits which are not, in the opinion of the ordinary citizen, sufficiently provided for unless there is considerable interference with economic freedom. The restriction of the age at which children may be employed, and insistence on compulsory

attendance at school, are generally approved as desirable for the future of the nation, but this restriction has not been welcomed, as obviously in their interest, by the parents, and it has hampered the employers and limited the opportunities for training in agricultural occupations.

Besides this direct interference with particular employments, the development of education has involved an indirect interference with all. There has been an immense increase of rates and taxes in order to provide general education, and to some extent technical education, for the rising generation of citizens ; this burden of taxation tends to limit the application of capital in industry, and to restrict the field for employment generally. In all these cases public opinion has approved of interference which is a drag on the running of the mechanism of society. No one could deny that the objects aimed at are of great importance ; but from the point of view of the old-fashioned economists they are to be regarded with suspicion, because it is so difficult to gauge in terms of money the precise economic advantage that accrues from improved health or increased education ; the money spent on them may be beneficially employed, but is it or is it not a remunerative investment ? Public opinion, however, does not pause to balance the expenditure against the gain ; there is a

consensus of opinion that the interference with trade which arises directly or indirectly in connection with the pursuit of these national objects ought to be incurred, even if it cannot be justified in detail by a reference to any balance sheet.

STATE INTERFERENCE FOR THE DEVELOPMENT OF THE OVERSEA DOMINIONS

There are many Free Traders who are prepared to approve of interferences for the sake of the health and the education of the citizens, who yet look critically at any suggestion of State interference with private interest for the sake of the more economic use of national resources. An attempt may be made to draw a line between moral and material aims, and to say that in regard to the latter, it is unnecessary, if not dangerous, for the State to interfere with private enterprise. But it has proved impossible to take this line in practice; John Stuart Mill had allowed that the protection of infant industries in a new country was an exceptional case, where State interference might be justified; and this admission has been made the most of both in the oversea dominions and by the Mother Country. In the dominions the pretence of holding to Free Trade has been abandoned, and a policy of State aid in the development of resources has been sedulously pursued;

the practice has been very similar in the Crown Colonies, which are supposed to be administered on the Free Trade principles of the Mother Country. During the last fifteen years Great Britain has begun to take her duty to her undeveloped estates seriously; and, instead of leaving them to fare as best they might through private enterprise, has endeavoured to deal systematically with the problems of their economic development.

Large sums of public money have been spent in endeavouring to secure in Crown Colonies the advantages which accrue from improved health and diffused knowledge. A great crusade has been waged against the various forms of disease which have been a menace to the development of tropical areas. The success which has attended these investigations has greatly simplified the problem of obtaining an adequate supply of labour, and of securing constant supervision by white men. Great pains have also been taken in the effort to study agricultural conditions scientifically, so that labour may be brought to bear in the most remunerative fashion.

State action has also been taken to encourage the flow of capital to our oversea dominions; this has not been left to be determined by the enterprise of individuals and the prospects of gain. The Colonial Loans Act of 1900 has enabled the colonies to

borrow in the English market at lower rates than they had been able to do previously; and the State itself has invested money on a large scale in railway enterprise in Uganda and elsewhere,¹ and has done much for other tropical areas.² During the last fifteen years there has been an extraordinary amount of positive effort for the development of the colonies. The self-governing nations have one by one rejected the Free Trade policy of the Mother Country, and are seeking the development of their resources, not only by giving special encouragement to particular forms of enterprise, but by discouraging commerce which seems to press unfavourably on their industries. In the Crown Colonies the legitimacy of special encouragement is admitted, and development is going on under this stimulus. The old tradition that the colonies were a useless expense, and the Cobdenite belief that they would prosper best if they were left alone to pursue their own development in their own way, had combined to encourage the Mother Country to maintain an attitude of deliberate neglect. That many Free Traders in the present day approve of the recent action on the part of the Mother Country is perfectly true; and this fact serves to show how far their position is removed from that of the early

¹ *Proceedings of Colonial Institute*, xxxvii. 92, xxxix. 98.

² Lady Lugard, *A Tropical Dependency*, p. 476.

Free Traders, who were plain men, and felt no need to exercise casuistry in applying their principles. In any case, the importance of attending to infant industries—including agricultural industries—and of subsidising them directly or indirectly, has been generally admitted, and the wisdom of waiving aside the scruples of the stricter sect of Free Traders has been amply justified.

PROTECTION AGAINST “UNFAIR” COMPETITION

Even in regard to highly developed countries decided exception has been taken to the thorough application of Free Trade principles. The Fair Trade agitation of 1881 impressed the British public with the belief that there might be “unfair competition” which might do serious injury to a prosperous nation, and enable another to gain at its expense. There is some difficulty in stating the ground for this exception to the Free Trade rule with precision; “unfair competition” might mean competition at rates which have been cut so fine that they cannot be maintained. In this case it might be contended that temporary protection was allowable to prevent the suffering which would arise from the disorganisation of a trade. But the term “unfair competition” has sometimes been extended to apply to a permanent condi-

tion, especially to the case where a population, with a low standard of comfort, is able to produce on cheaper terms than a country where the labourer enjoys a higher standard of comfort. This is the ground on which the imposition of excise duties in India was justified in order to prevent the “unfair” competition of Indian mills with Lancashire in the Indian market. In 1894 a 5 per cent. excise was levied in India on all yarns in which India was competing with England, so as to counter-balance the import duty; and when this was abolished in 1896 a uniform duty was imposed on imported woven goods and on goods woven in mills in India.¹ It is difficult to show that the Indian consumer gets any advantage from this import; it means that the English manufacturer is able to guard himself against native competition in the Indian market. This is a curious development of Free Trade principles, and comes very near to insistence on protection for the Mother Country. Two centuries ago the imposition of a countervailing duty² to prevent the “unfair” competition of Ireland with the West of England in the woollen industry, proved to be a serious blow to an infant industry in the sister

¹ *Statement Exhibiting the Progress of India, 1892-1901. Parliamentary Papers, 1903, XLVI. 775.*

² *Cunningham, Growth of English Industry and Commerce in Modern Times, p. 376.*

island, and this enactment has been generally condemned ; but it now appears that Free Traders are ready to condone similar interference as a justifiable exception to their rule.

SHIPPING SUBSIDIES AND BUSINESS CONNECTION

If any one were to endeavour to gather—not from platform professions but from our present national practice—the nature of the economic principles on which we act, he would not be likely to set Great Britain down as an example of a Free Trade country. The *laissez-faire* principle and dependence on individual enterprise for national prosperity have been abandoned so far as the development of resources or the maintenance of an established industry is concerned. Even if we take “trade” in a strict sense of the term, and confine our attention to foreign commerce, we may feel that Free Trade principles have been set aside again and again. The maintenance of commerce depends mainly on two things : we must have ships in which communication can be carried on, and we must have business connections by which the actual commercial intercourse is organised. But a system of shipping subsidies has been introduced and developed on a large scale ; the Cunard Company ¹ is in close partnership with the

¹ Macrosty, *Trust Movement in British Industry*, p. 306.

Government of the country, and has the support of a large subsidy in its competition with American and German rivals. This may be perfectly wise and right; but it raises the question whether there is any point about industry and commerce in regard to which Free Traders are still prepared to apply their principles.

It appears that there is one, and only one; they are still staunch in maintaining that the State should not interfere by means of tariffs to strengthen business connections; that is the gist of the whole matter. Tariff Reformers contend that business connections are such an important element in commercial prosperity that the State would be well advised to try to foster them, while the Free Trader argues that they ought to be left alone, and that at all events it would be inexcusable to use the tariff as a means of promoting commercial ties.

FACILITIES FOR COMMUNICATION WITHIN THE EMPIRE

The importance of maritime commerce as an element in the prosperity of the British Empire cannot be over-estimated. Habitual intercourse for commercial purposes calls forth facilities of communication which can be utilised for other purposes as well. The British Empire differs from all the great

empires that have hitherto existed, inasmuch as they have been great contiguous areas of land, where the various parts were connected together by roads or railways. But the sea serves as the only medium through which contact can be established between the continents and islands embraced in the British Empire; for political, military, and social purposes it is of the highest importance that the facilities of intercourse may be increased so that there may be as much as possible a community of thought and interest throughout the whole area. These facilities can be maintained, without special cost or trouble, if there is such a body of trade that frequent communication by sea is necessary and remunerative. Increased intercourse for commercial purposes has had an extraordinary effect in giving political solidarity to the United States of America and to the German Empire. The example of Alexander Hamilton and of Bismarck is not to be hastily set aside; and the method they adopted for creating a great American Republic and a United Germany is applicable, with the necessary modifications, to the varied and scattered territories which form the British Empire.

The increase of business connection and commercial intercourse is likely to be beneficial to the Empire as a whole, but it is of special importance to the Mother Country. The very existence of Great Britain as an

industrial community* is bound up in the maintenance and increase of her maritime commerce. Her prosperity no longer depends on the solid basis of land, but on the fluctuating basis of trade. For the cotton trade she is entirely, and for many other trades she is partially dependent on a supply of materials brought from over-seas. The food supply is also imported from distant parts of the world; rapid and frequent communication with the sources of her supply is of vital interest to Great Britain. In the near future there is likely to be an increased competition among the great industrial communities for the possession of materials and for food. Many of the areas from which supplies of material and food can be drawn are under the authority of the British Crown; and the more we strengthen our business connection with these regions, and increase the facilities of intercourse, the more do we strengthen the foundation of the industrial prosperity of Great Britain. The danger of having these supplies withheld, for political reasons, is almost as great as the danger of having them cut off in time of war.

The existence of these dangers is very generally recognised; the Association for Promoting Cotton Growing within the Empire¹ is an attempt to deal with the problem

¹ *Sixth Report of Association* (Manchester, 1911), and *Proceedings of Colonial Institute*, xxxix. 80.

in one special aspect which is particularly pressing; but there is need that the whole matter should be habitually and systematically kept in view, so that there may be conscious co-operation among all the parts of the British Empire for the greater strength and prosperity of the whole.

FREE TRADE WITHIN THE EMPIRE.

Imperialists who profess to be Free Traders recognise the supreme importance of the object in view. They are not prepared, however, to make any suggestion as to the means for promoting it; they are, moreover, bitterly opposed to any attempts to attain this object by means of Preferential Tariffs, because such tariffs are inconsistent with their principles. Would it strain their intellectual consciences much to tolerate one more inconsistency? Preferential Tariffs offer the most convenient means of increasing business connections with our oversea dominions at the present time; they are an expedient which these nations have been ready to adopt for the benefit of the Empire. On this point the Mother Country would do well to discard her offensive attitude of superior wisdom, and not only to listen to, but to take the advice of the younger nations across the seas. Many a well-established business has been injured and crippled through the unwillingness of the senior partner to introduce modifica-

tions which were pressed on him by younger men whose experience was different from his own.* So far as experience goes, Preferential Tariffs are well calculated to attain their object; and the objection raised by Free Traders is the only difficulty in the way of bringing them into operation.

The Free Trader holds that they are unnecessary economically, and may be mischievous politically. Looking at the matter from the point of view of Great Britain, he urges that as a Free Trade country we enjoy the unconscious co-operation of the whole world, and that this is more valuable to us as the basis of our industrial prosperity than the conscious co-operation of all parts of the Empire would be. It may, however, be remarked in passing that the chief commercial nations of the world are consciously reducing their co-operation with us to a minimum, and that this is an additional reason for taking pains about the maintenance of our commerce. A curious depreciation of human intellect lurks in much of the Free Trade argument on this point. It is true that many processes within the human body go on most satisfactorily when no conscious attention is directed towards them—the less a man is called upon to think about his digestion or his breathing the better—but even so it may be wholesome for him to be aware of the conditions which will enable him to

preserve his bodily powers at their best, and to avoid what strains them unduly. In the body politic, however, the economic processes are the subject of constant attention and measurement; we have data before us which render it possible to bring intelligence constantly to bear; and the assertion that we shall do better by refusing to exercise any foresight, or to consider how we shall improve the conditions on which our industry depends, is absurd. At all events, other nations have done it, and there seems to be no sufficient reason why we should not try. In the work of the Cotton Growing Association we have begun to try the effect of conscious co-operation within the Empire, because the unconscious co-operation of the world is proving inadequate to the needs of our great industry.

The British Empire is so large, and its component parts are so various in character, that it has a far better prospect than any other modern state of becoming self-sufficing; the necessary materials and food for which Great Britain must permanently rely on sources outside the Empire are comparatively unimportant, and the development of the more backward parts of the Empire offers the best hope of securing additional markets for her goods. Some Free Traders, who cherish imperialist aspirations, would be willing to surround the Empire with a ring-fence, while they lay

down as a principle that there ought to be no artificial barriers of any sort to commercial intercourse within the Empire. But Free Trade always means free competition; we are not concerned to encourage hostile competition between the various parts of the Empire, but to foster conscious co-operation for the common good. The competition of men of different races and with different standards of comfort has been held to be "unfair competition"; it is from many points of view undesirable. The competition of undeveloped with developed industries is more obviously "unfair"; and it also is undesirable. "Free Trade within the Empire" would be a disastrous policy, as it would not leave each part of the Empire free to pursue its own development by every means in its power; and it is inadequate, as it offers no positive means for encouraging commercial intercourse and bringing about a closer inter-connection. Tariff Reformers are eager for the promotion of intercourse and interdependence between the different parts of the Empire, but they are anxious that commercial facilities shall be so controlled that they may act favourably on the development of every part.

CONSCIOUS CO-OPERATION FOR THE PROSPERITY OF THE EMPIRE AS A WHOLE.

The fear that the adoption of a system of Preferential Tariffs would create new jealousies within the Empire rests on a curious misapprehension of the proposals that have been suggested. The Free Trader is so obsessed by the conception of competition, and by his habit of setting colonial interests against those of the Mother Country, that he is unable to grasp the idea of the Empire as a great economic whole, in the prosperity of which both the Mother Country and the oversea dominions are concerned. In the seventeenth and eighteenth century, the Mother Country so entirely predominated in the circle of British Possessions that it was not unreasonable to regard the interest of the Mother Country as identical, for practical purposes, with the interest of the Empire as a whole; it was plausible to set the particular interest of the colonies against the general interest of the whole Empire, as typified in the wealth and naval and military power of Great Britain. The conditions have entirely changed, and the point of view which was not unreasonable in the eighteenth century has become absurd in the twentieth. Great Britain is only one, though still the most important in wealth and population, of the nations which form the British Empire; it is quite likely

that a century hence this island will no longer be the most important constituent of that Empire, either in population or wealth. The claim that the oversea dominions and dependencies should in any way subordinate their interests to that of the Mother Country would be absurd ; but to advocate conscious co-operation for the common good is not to demand any sacrifice, or to weigh the interests of one part of the Empire against another. It is merely to be in earnest with the idea of the Empire as a whole, and to keep its prosperity before us, as something which is of concern to all, and as an aim which should never be forgotten by legislators and administrators in any of the new nations, or in the Mother Country.¹

It is indeed high time that we should abandon the pretence of maintaining a policy of Free Trade. That doctrine is no longer an inspiring principle ; it has come to be partly a superstition, and partly a mere affectation. We ought, in regard to economic development, to think not so much in terms of utilities and commodities, but rather in terms of human beings and their activities and opportunities. We must take this standpoint if we are to learn to do our duty to the Empire. The progress of the self-governing dominions is in their own

¹ *Proceedings of Colonial Institute*, xl. 198.

hands, and it is secure. If we come to be of one mind with them on Imperial policy, we may look for their help and co-operation in exercising a wise discretion towards native races, and in developing tropical dependencies so that they may furnish a permanent contribution to the welfare of the world.

There is good reason to hope that, by cultivating a strong sense of our Imperial responsibilities, we may learn to deal more successfully with social problems at home. Nearly a century ago Mr. Wakefield and his associates recognised that the pressing difficulties, which had arisen from an abundance of labour and plethora of capital at home, could be best solved by the systematic development of the great areas of unoccupied land in the colonies. No such simple formula will suffice in the changed conditions of our day. We dare not content ourselves with aiming at the prevention of national waste, and at raising the standard of comfort within the limits of this island—though these are matters of supreme importance. We must cherish the ambition that our country shall continue to play a worthy part in doing the work of the world. It should be our ideal to render the rising generation, in all classes of our population, fit for work, and for responsibility, in some part of the Empire overseas—either in replenishing the self-governing dominions, or in taking up the white man's burden in the depen-

dencies. We shall not really be losers if we are ready to give our best. By looking beyond our immediate necessities, and striving to rise to our Imperial duty, we may attain to clearness of vision, and to an inspiration that will regenerate the national life of the Mother Country.

IX

THE NEW PHASE OF THE CONTROVERSY

THE DISPUTANTS AT CROSS-PURPOSES

REVIEWS of the first edition of this book appeared in a number of newspapers and have been very instructive, as they have given me an opportunity of surveying the changes in the controversy. The fiscal reformer cannot but feel that a body of well-informed opinion is steadily growing in favour of the course he advocates ; while Free Traders appear to be awakening to the fact that their position is not unassailable. The public, however, is becoming somewhat weary of a protracted controversy ; attention has been concentrated on the dramatic situation in Ulster, and fiscal reform appears to have dropped into the background ; but the hold it has obtained in the House of Commons, and the interest it arouses during contested elections, serve to assure us that the attack on the existing system has not, as Free Traders try to believe, been successfully repelled. So many men

are enthusiastic advocates of fiscal reform, that, though the importance of the issue may be obscured for a time, the question cannot be shelved.

The plain man is sadly puzzled because the disputants seem to be at cross-purposes. Many Tariff Reformers have been brought up in the Free Trade school and have personally seen reason to abandon it; they are familiar with the traditional exposition of Free Trade principles, but they have come to feel that it is unconvincing. They cannot understand the mental attitude of the Free Trader, who is satisfied to repeat arguments which appear inconclusive and irrelevant to the matter in hand. At the same time Tariff Reformers complain that they are themselves strangely misunderstood: it seems quite unaccountable that any one should allege that they "cannot conceive of an Empire except in terms of a central unifying authority with power to enforce its will on each constituent part."¹ As Tariff Reformers have been persistent advocates of Colonial Nationalism, this assertion is quite gratuitous, and it is hardly excusable in a book that purports to be a reply to the foregoing pages.

Further, the disputants are not even agreed as to the topics it is necessary to discuss. The Free Trader lays down principles which seem to justify a general scheme

¹ E. E. Todd, *Case against Tariff Reform*, p. 5.

of policy ; whereas Tariff Reformers desire to concentrate attention on the practical question as to what is best for England at this particular juncture. There may be exceptions to any rule, however many instances can be quoted in its favour. Tariff Reformers are not concerned to assert that Free Trade can never be the best policy for any country ; they are even ready to point out the conditions under which it is most likely to be successful. When Joseph managed the affairs of Egypt, that country had a strict monopoly of corn ; for many ages she has continued to possess a great advantage over her neighbours for the production of that article of general demand. In all probability Egypt can make the most of her resources economically, by directing all her energies to the raising of food, and she probably gets best supplied with manufactures by relying on importation from abroad. There have been many cases of partial and temporary monopoly—or, to put it more strictly, of great relative advantage—where the policy of Free Imports may pay for a time. At the time when our present policy was adopted, the best economic experts were agreed that England had such a practical superiority in cotton manufacture that she need never fear any serious competition. The forecast published by J. R. McCulloch in the article on Cotton Manufacture in the *Dictionary*

of Commerce (1840)¹ is instructive. It is evidence as to the state of instructed opinion at the time when the battle of the Corn Laws was fought. Tariff Reformers are ready to discuss the circumstances in which the policy of Free Imports was introduced, and to inquire whether it is the best system for England at the present time. Argument as to what may be best under other circumstances, and in a general way, no longer appeals to many of those who are keenly interested in the practical issue. But to the Free Trader this seems to be the only way in which it is reasonable to approach the practical issue.

When the discussion does turn on actual

¹ "Our establishments for spinning, weaving, printing, bleaching, etc., are infinitely more complete and perfect than any that exist elsewhere; the division of labour in them is carried to an incomparably greater extent; the workmen are trained from infancy to industrious habits, and have attained that peculiar dexterity and sleight of hand in the performance of their separate tasks that can only be acquired by long and unremitting application to the same employment. Why, then, having all these advantages on our side, should we not keep the start we have already gained? Every other people that attempt to set up manufactures must obviously labour under the greatest difficulties as compared with us. Their establishments cannot, at first, be sufficiently large to enable the division of employments to be carried to any considerable extent, at the same time that expertness in manipulation, and in the details of the various processes, can only be attained by slow degrees. It appears, therefore, reasonable to conclude that such new beginners, having to withstand the competition of those who have already arrived at a very high degree of perfection in the art must be immediately driven out of every market equally accessible to both

occurrences, the characteristic differences between the two parties become very noticeable. The Free Trader hardly professes to base his opinions on experience; he is content to adduce illustrations from actual life of what he believes *must* happen. So far as the general public is concerned, the defence of Free Trade in parliamentary contests has been chiefly rested on the opinion that a preferential duty on corn would be sure to raise the price of bread; and stress has been laid on the alleged success of Free Trade in doing away with the privations of the hungry 'forties and introducing the era of the Big Loaf. But the history of the nineteenth century goes to show that the supply of corn in this country was affected by physical facilities for intercourse rather than by anything else, and no effect of a tariff in raising or maintaining prices is discernible. No serious attempt has been made to discredit the figures I gave, or the

parties; and that nothing but the aid derived from restrictive regulations and prohibitions will be effectual to prevent the total destruction of their establishments in the countries where they are set up. . . . It is ludicrous, indeed, to suppose that a half-peopled country like America, possessed of boundless tracts of unoccupied land of the highest degree of fertility, should be able successfully to contend, in manufacturing industry, with an old, settled, fully peopled, and very rich country like Great Britain. The government which encourages such a misdirection of the public capital and industry, and those who suppose it can end in anything else than ruin to the parties, are ignorant of the merest elements of the science of wealth."

argument I rested upon them. Free Traders admit that it is undoubtedly the case "that the price of wheat did not markedly fall in this country until the institution of railways, telegraphs, steamships, and all the other mechanical devices for cheapening communication and increasing trade began to have their full effect."¹ But this admission does not seem to raise any suspicion in their minds that the doctrine as to the necessary effect of tariffs on prices may be mistaken; they are only reluctant to sacrifice a good illustration of their thesis.

The inability of each side to understand the position of the other, the failure to join issue, and the difference of opinion as to what really matters, can best be accounted for by trying to recognise that, on the whole, the two sides consist of men of different habits of mind; in regard to the facts put forward there is little dispute; the whole difficulty is in regard to interpreting them aright. One man, approaching from one point of view, sees the matter in one light, and another, from an opposite standpoint, gets a view that seems to have no relation to the first. The essential difference in the present controversy lies in the mental habit and equipment of the disputants. To the

¹ E. E. Todd, *Case against Tariff Reform*, p. 88.

Free Trader, with his habit of mind, the argument of the Tariff Reformer appears to be confused—a jumble of business and sentiment, and things that should be kept apart. To the Tariff Reformer, with his way of thinking, the Free Trade treatment of the various questions involved seems to be characterised by a false simplicity, and consequently by exaggeration; it consists of generalities, and the qualifying conditions are hardly taken into account. Hence each is unable to feel the force of the argument on the other side. When we try to specify the characteristics of these two mental habits, we can hardly give offence if we think how each disputant would describe his own point of view. The Tariff Reformer might be likely to say that he takes his stand on *Common Sense*; while the Free Trader believes that he has discarded many popular fallacies, and that his position is based on the results of *Economic Science*.

ECONOMIC SCIENCE AND COMMON SENSE

It is a pity that there should even appear to be a severance between Science and Common Sense—they are really quite harmonious. Common Sense tries to consider each question as a whole, and in all its bearings; while Science demands that the elements shall be analysed and dealt with separately. It is the work of Science, by its analysis, to provide the means of clear

thinking, and to afford an accurate terminology in which ideas can find expression, so that the common sense of educated men can state and justify its convictions. There need be no divergence ; and Common Sense should welcome every scientific advance, since it is able to rely on more competent servants for advice in doing the work of the world. But all social and political problems are very complex ; where many different factors, physical and moral, are involved, there is no ground for a claim on behalf of any single voice to say the last word. The science which discusses human relationships in terms of money measurement cannot deal with such intricate and far-reaching questions adequately. The section of affairs which the economist has set apart for his own study cannot be completely isolated. The business element and the political element cannot be separated from one another in public affairs ; the social and the constitutional are not absolutely distinct. The various elements of national life are constantly reacting on one another,¹ there is an unceasing interplay ; and if we study one force by itself, we shall never be able to take account of the limitations under which it operates. If we are content to spend our time in taking the mechanism of society to pieces, we may never learn how to put

¹ Cunningham, *Growth of English Industry and Commerce*, i. 6, 7.

it together again ; but it is only when it is put together that it works. When we wish to take a practical decision on any matter of national policy, we need to try to take account as fully as we can of all the forces and all the conditions. Economic Science has failed, and always must fail, when it professes to lay down the law authoritatively on matters which lie outside its scope. It avowedly deals with one side of national life, and it becomes a mere pseudo-science when it falls into the hands of charlatans, who profess to decide questions of practical policy by the light it affords.

ECONOMIC ANALYSIS

The division of human knowledge into separate departments is necessary for purposes of thought, but there is no such severance in fact. We are forced to specialise, because human life is short and human intelligence is limited, but there is danger of over-specialisation. The man who confines his attention strictly to his own subject does not know even that in true proportion. There is no hard-and-fast line between the economic and the social or political ; what is economic to-day is almost sure to have social and political consequences in the future ; and we have no right to treat as altogether unimportant what we choose to leave out of account, temporarily and for convenience of study. If we are content to

argue on strictly economic lines, we condemn ourselves to disregard the most far-reaching consequences of strictly economic action.

From the economic point of view it suffices to view the foreign exchanges as monetary transactions and to look at them as a mere matter of accounts. There is a debt due to Great Britain on account of exports, and this is discharged by imports; and we may leave the matter there if we like; the account is balanced, whether the payment to this country is made by importing manufactures or by importing raw materials. But though the mode of payment makes no difference in the account, it may make a great difference to the country in the long run. The social consequences will not be the same if the payment to this country is made by importing raw materials, instead of by importing manufactures. There will be an opportunity of employment in the one case and not in the other; we retain the goodwill of the business of supplying our own market in the one case, and we sacrifice it when we introduce foreign manufactures ready for sale to the consumer. Even the foreign exchanges cannot be fully treated so long as the discussion is confined by an imaginary line to the strictly economic field.

Bacon has taught us that we may hope to overcome Nature by obeying her; but

he also warned us against a superstitious reverence for mere *idola fori*.¹ The laws of supply and demand are involved in the economic conception of Exchange: whenever that conception is actualised in the habits of society, these laws hold good. Exchange is one of the conceptions by which we classify phenomena, and the implications it involves hold good of all the phenomena we include under it. While we use this language we cannot get outside the charmed circle. Yet pseudo-scientists are constantly forgetting themselves; they solemnly warn us against attempting to disregard and disobey economic laws. Do Free Traders really think that this can be done? or that it has been done in protectionist countries? Are prices in Berlin and New York not determined by supply and demand? In so far as prices can be controlled, it is by acting on supply, or by acting on demand, not by attempting to disregard the law. Whatever happens, the law is in operation all the time; we cannot evade it, and there is no duty to obey it.

It is equally fatal to sound reasoning to treat generalisations which hold good within a limited sphere of place and time, as if they were principles which could be relied upon

¹ "Words plainly force and over-rule the understanding, and throw all into confusion, and lead men away into numberless empty controversies and idle fancies."—*Nov. Org.* xliii.

at all times and in all places. The man with common sense will hold these generalisations tentatively, because he knows that the conditions on which they depend are constantly changing. We have ample warning from the history of the nineteenth century as to the danger of hasty generalisation : arguing from the data before them, the Manchester economists insisted on the doctrines of the Wages Fund,¹ and of the Last Hour.² They did not allow for a possible change of conditions, and the laws they stated with such confidence did not hold good.

The exponents of Economics in the present day have sometimes failed to take advantage from this warning. There has been an immense advance on one side of economic science—in the analysis of business transactions ; and if our social and economic life were perfectly fixed and stereotyped, this analysis would give us statements of what holds good for all time. But the other side of economic study—the investigation of the changing conditions under which business is done—has been too much neglected. There is need to pay systematic attention to the course of political and social affairs, and to try to form the habit of looking at economic forces in their working, and at human society as a whole. The study of History is a corrective to the false simplicity

¹ *Growth of English Industry*, ii. 741.

² *Ibid.*, 789.

150 NEW PHASE OF THE CONTROVERSY

of economic generalisation, and reminds us how complex society is, and how much politics and economics interact and react on one another. The great masters of the science recognised the importance of considering economic questions, not merely by themselves, but in their social and political bearings, and in the light of History. Adam Smith was steeped in the history of economic life, and McCulloch was as remarkable for his knowledge of the changes in social conditions as for his thoroughgoing analysis. But since his time, economic study in England has been too often pursued as if it could be separated from the history of social conditions. Many students have moved from the standpoint of Adam Smith, who never troubled himself to lay down economic laws, and never allowed himself to be the slave of his own distinctions, or let his argument lose touch with actuality. Fiscal Reformers who endeavour to pursue his method of study, and to unite the careful analysis of conceptions with the study of the history of social and political conditions, have a good claim to call themselves his disciples and to have attained to his enlightened common sense.¹ But in so far as modern economic study is content to remain one-sided, it can never be really sound.

¹ Cunningham, "Back to Adam Smith" in *The Rise and Decline of the Free Trade Movement*, 1905.

SENTIMENT AND SELF-INTEREST

The analytical habit of mind draws a hard-and-fast line between sentiment and self-interest in political life, and insists that they must be kept apart: but we do not necessarily confuse them by trying to secure that they shall co-operate. Sentiment sometimes expresses itself in special ways of its own; the sentiment of loyalty asserts itself and sets all ordinary business aside on a Coronation Day: but loyalty does not exist merely as a thing of flags and fireworks. It is capable of colouring all sorts of activities, and rendering them subservient to political ends. The sentiment of humanity may be ignored in the conduct of business, but public opinion is shocked when money-making is carried on ruthlessly; the object of the Factory Acts has been to bring humanitarian sentiment, as publicly felt, to bear on economic life. There is no reason why business should be conducted in a sordid fashion and entirely for its own sake; the terms on which it proceeds may be controlled by Imperial Sentiment, so as to serve Imperial purposes. If we choose to sever them, business and sentiment may be kept apart; but we may, if we wish, allow them to co-operate for a common object.

The Economists of last century laid too much stress on personal self-interest as a force which increased the wealth of the

realm; and there is a danger of exaggerating the importance of national self-interest for the welfare of the Empire. We are all agreed that it is desirable that every self-governing part of the Empire should enjoy independence; but if that independence is absolute and complete, there must be disintegration. There can be no common defence, and no common ties if independence is thoroughgoing. No Englishman in the present day really desires to interfere with the autonomy of the Overseas Dominions, or to impose the will of one component part on the rest of the Empire, though British Free Traders seem to have difficulty in refraining from making the attempt. But there ought to be a possibility of independent consideration, by each part, of what is for the common good—common security and common prosperity. The common good of all may be neglected by all, unless steps are taken to encourage each part to consider it. The Free Trader, in his intense attachment to the idea of independence, seems to have no fear of disintegration, and no desire to direct attention to the common weal.

CRITERIA OF NATIONAL PROSPERITY

Common Sense may reserve the right to give a decision in matters of every-day experience; but it will be wise to rely on Science to furnish the evidence; each has a different function, but both should be

brought into play. Science, which is worthy of its name at all, recognises its own limitations, and can therefore be of service in supplying accurate and thorough knowledge which can be used in attempting to deal with social life. But the possession of thorough and accurate knowledge, within a limited sphere, gives no good grounds for a claim to decide authoritatively on matters which do not lie within that sphere. The expert who has cultivated a highly specialised intelligence, while he remains unconscious of the narrowness of his range, is in danger of losing the power of looking at any economic question in its wider bearings; and the half-educated, who pride themselves on taking the opinions of experts at second hand, never attempt to think for themselves.

There has been a great deal of difference of opinion among economists in bygone days as to the best criteria of national prosperity. Some have pointed to high rents¹ and some to high profits. In our day it would be more common to look to high wages; but Free Traders seem to have adopted an arbitrary test in fixing on the standard of comfort of the most highly skilled workmen in England, and treating this as if it were typical of general prosperity. Though many of the skilled and

¹ Cunningham, *Growth of English Industry and Commerce*, ii. 386, 395.

organised workmen enjoy great advantages, we must not fix our attention on them exclusively, if we are to get a view of the country generally. Free Traders claim that we are doing well in the most highly skilled trades, though it does not appear that the demand for industrial labour is increasing so fast as we should expect from the returns in regard to the prosperity of trade; this may perhaps be explained by a consideration to which Professor Fawcett¹ called attention. He pointed out that "the amount of capital which is applied to the production of wealth in this country does not depend so much upon the amount which is saved, as on the proportion retained by the country itself of all the wealth which is saved." He held that if more capital were required for any industry, "it would be readily obtained by placing a check upon the investments of English capital abroad." Cases of the export of British capital, with the view of carrying on some industry in foreign parts, are frequently mentioned in the papers, and this movement appears to be taking place on an unprecedented scale. Forty years ago the British manufacturer had little to contend against in the way of hostile tariffs; and manufacturers had much more of a free hand in the conduct of their business than is the case to-day. The con-

¹ *Manual*, p. 86.

ditions, both for carrying on industrial business and for marketing the goods, have greatly changed during the last thirty years, and an immense amount of British capital has gone for investment in foreign parts. There is no doubt that much of the capital thus invested reacts favourably on industry at home; as, for example, when the capital is employed in laying a railway to open up the trading resources of undeveloped countries, and to create a new demand for British manufacturers. But the additional scope thus given for employment at home is indirect and uncertain; while the transference to foreign parts, of an industry which might have been carried on in Great Britain, may be profitable to the capitalists, it brings no advantage to the British workman. A lace-factory, which is built and carried on in England, offers a larger direct demand for English labour than a lace-mill which is built and carried on with English capital in Switzerland. The mass of British capital, on which income-tax is paid, has increased enormously during the last thirty years, but it is not clear that the demand for labour in industrial employment has increased *pari passu*. It seems possible that while there is an immense increase in the numbers and wealth of the classes who live on an income derived from investments, there has been a relative decline in the demand for British labour and in the

156 NEW PHASE OF THE CONTROVERSY

scope for employing it in industrial pursuits.¹

Even if the prosperity of our skilled workmen were much more clearly marked than it is, we should not be justified in taking them as typical of the community as a whole. There are many men who are not highly skilled; and so long as the present conditions of juvenile labour last, there is likely to be a constant supply of unskilled labour, while the demand for certain classes of relatively unskilled labour has also fallen off. Capitalists are not coming forward as readily as formerly to offer employment on the land; so far as rural districts are concerned the sequence of cause and effect has been obvious. The agricultural depression which began in the 'seventies resulted in immense losses of capital both by farmers and landowners; fresh capital for the payment of wages has been introduced from outside. Numbers of the old tenants found themselves unable to continue to farm, and fell into very reduced circumstances. Their successors may pay higher wages, but they endeavour to work the land with fewer labourers than were formerly employed. The fall in rent has hit the landowners very severely, and they have greatly reduced their establishments. The reduction in the demand for labour in

¹ This and the following paragraphs are taken from my *Draft Report on the Causes of Labour Unrest*, 1912.

country places is one of the most important causes of the rural exodus which has attracted so much attention in recent years. When the agricultural labourer has been able to secure the means of emigrating to the Colonies he has in many cases greatly improved his position ; but where he has only drifted aimlessly to one of our great towns, he has had no opportunity of exercising any of the various forms of skilled work at which he is proficient, and he is only too likely to swell the ranks of the unskilled labourers. The railway porters and traffic workers as a class are suffering from the low rates of wages at which they are employed, and the recent railway strike showed how widely and deeply the pressure of poverty is felt ; but yet it is said that at every vacancy the competition for employment in those permanent posts is keen.

The problem of our social life is not so much that of maintaining the high standard of comfort of the well-to-do artisans, as of trying to improve the condition of the very poor. It is necessary to concentrate attention on their special needs, and this is the crux of the situation. We are apt to suppose that because cheapness of commodities is beneficial to the well-to-do, it must be even more important for the very poor ; but this is not the case. For them the essential thing is that they should be able to get employment, and to earn money ; if things

are cheap, and they can spend their money to advantage, so much the better; but the opportunity of earning is the primary consideration. The alleged prosperity of certain highly skilled artisans is not a satisfactory index in regard to the welfare of the community as a whole.

COLMOPOLITANISM AND INTERNATIONALISM

Behind all questions of national prosperity there loom serious problems as to international relations. Free Traders are apt to discuss them in terms of sentiment, and to try to solve all difficulties by insisting on the brotherhood of the nations. But this analogy may be misleading; even in a family circle it is not altogether desirable that one member should be unable to stand on his own feet, and should be dependent on the good offices of other members of the family. They may be kind to him, but they will not find it easy to treat him with respect; and mutual respect is the basis on which equals are most likely to live harmoniously. We are all agreed in hoping that agreements between the peoples of mankind can be arranged so that organisation for the maintenance of universal peace shall do away for ever with the possibility of war, and with the need of preparing for war. But there is a decided difference of opinion as to the basis on which this organisation can rest, and as to the steps which conduce to the

introduction of such a world-polity. Is it to be cosmopolitan, and formed at the expense of patriotic sentiment, or is it to be international, based on agreements between strong and vigorous nationalities?

The cosmopolitans regard economic interests as the ultimate foundation; they point to the manner in which capital flows to one country or another, and how little it is affected by political considerations, indeed how frequently national policy is affected by the ease or the difficulty of borrowing money. In the same way they call attention to the solidarity of class interests, which are unaffected by the lines of national boundaries, and which may wean men from any enthusiasm for the land of their birth. They maintain that commerce flourishes best when political relationships and connections are disregarded, and even Liberal Imperialists often share this indifference to the political aspects of commerce. From this point of view all that breaks down and suppresses national differences is a step in advance.

But others regard this movement as mistaken and mischievous, since it would be injurious to the best elements within each country, and would place international relations on an unsound and shifting foundation. The lovers of any one country hold that the rise of nationalities has contributed an abiding element in the organisation of the human race. The nationality has both a

political and economic aspect. Each nation has a heritage of political experience and human achievement in the realms of art and letters which it does well to foster ; and this forms its best contribution to the welfare of human society as a whole. In its economic aspects the nation is concerned primarily with the resources of the area it controls—the land from which are drawn all the materials for native industry and the commodities it offers in commerce. The nation is interested in providing for the use of the land so that it shall be of value for future generations, not merely exploited in the present. Its policy has to take account of the fixed element in the production of wealth, while cosmopolitanism lays stress on those which are more or less fluid. When we have regard to those aspects of human life, which cosmopolitanism ignores and nationality takes into account, there is reason to believe that the best hopes of mankind lie in *the maintenance of strong and vigorous nationalities which can help to create international organisation.*

Cosmopolitanism is plausible, but it is unpractical: it only applies to a limited area of the earth's surface, where modern industrialism and organised labour have come into vogue. It is unthinkable in regard to the territories of backward peoples where primitive forms of industrial organisation survive. Nationalism, with spheres of

national influence, offers a practical means for the policing of the whole world, and for giving fair play to men in every stage of civilisation; but cosmopolitanism has no safeguard to suggest which can prevent the exploiting of tropical areas from being even more disgraceful in the future than it has been in the past.

Cosmopolitan ideas are more and more generally accepted; but, apart from the fluidity of certain economic factors, it is doubtful whether nationalism is on the wane. Since 1870 there has been an extraordinary outburst of nationalist aspiration, and a fresh determination to subordinate economic considerations to political vigour and development. Only one of the great nations of the world has consciously adopted a cosmopolitan policy in regard to trade, by treating political connections as a matter of entire indifference where commerce is concerned. It is here that the question of the relative prosperity of Great Britain and of such countries as Germany and the United States comes to be of supreme importance. Is a cosmopolitan commercial policy remunerative to the nation that adopts it? If it is clear that Great Britain is gaining on her rivals in manufacturing and in shipping, then there is every likelihood that other nations will follow her example, and treat political connections as a matter of indifference in

regard to trade. In so far as she has failed to keep pace in the race of national vigour, she seems to others to be a warning against the danger of adopting a cosmopolitan policy in economic life.

It is easy to point out historical analogies, and to say that "just as the little kingdoms of the Heptarchy were superseded by one England, so a world-wide polity is likely to take the place of our present nationalities." But how much virtue lies in the "just as"; the kingdoms of the Heptarchy were united by force exercised through hard fighting; they were extinguished through the rise of Wessex. That method may suit the Napoleons of cosmopolitanism: but it would be better if the new organisation can come into being among the great nations of the world as a gradual growth, and not as the outcome of the exercise of force; and this is quite conceivable. The federation of free cities has more than once given rise to a powerful polity, and the principle of federation has proved a success when applied to larger territorial units, in the Dutch Republic, and in the United States. A federation of the world, based on agreements freely entered into by independent nations, looms in the future as possible. But such a federation of independent nationalities need not take place at the expense of vigorous national life. A nation which is a flourishing polity will be able to exercise a powerful

influence in any such federation; the conscious fostering of national enthusiasm and patriotic feeling is not in any way inconsistent with the growth of organisation for international purposes. Those who are eager for building up the prosperity of the British Empire have a right to claim that they are also taking the steps which tend to the maintenance of a wholesome influence in the federation of the world.

BY THE SAME AUTHOR

CHRISTIANITY AND ECONOMIC
SCIENCE. 1914. 2s. 6d. net

THE USE AND ABUSE OF MONEY

Crown 8vo, pp. xxiv, 219. 1891. 3s.

JOHN MURRAY, ALBEMARLE STREET, W.

THE GROWTH OF ENGLISH INDUSTRY
AND COMMERCE

Vol. I. Early and Middle Ages. 5th Edition,
pp. xxvi, 724. 1910

Vol. II. Modern Times. 4th Edition, pp. xxxviii,
1038. 1907

AN ESSAY ON WESTERN CIVILISATION
IN ITS ECONOMIC ASPECTS

Vol. I. Ancient Times. pp. vii, 220. 2nd Edition
1911

Vol. II. Medieval and Modern Times. pp. xii, 300.
2nd Edition 1910

THE RISE AND DECLINE OF THE
FREE TRADE MOVEMENT

2nd Edition, pp. viii, 212. 1905

THE GOSPEL OF WORK, BEING FOUR
LECTURES ON CHRISTIAN ETHICS

Pott 8vo. pp. xiv, 144. 1902

CAMBRIDGE UNIVERSITY PRESS

CHRISTIANITY AND SOCIAL QUESTIONS

Crown 8vo, pp. xi, 232. 1910

DUCKWORTH & CO.

THE "QUESTIONS OF THE DAY" SERIES.

THE ENGLISH LAND SYSTEM: A

Sketch of its Historical Evolution in its bearing upon National Wealth and National Welfare. By J. A. R. Marriott, Lecturer in Modern History and Economics at Worcester College, Oxford. Crown 8vo. 3s. 6d. net.

CHRISTIANITY AND ECONOMIC

SCIENCE. By W. Cunningham, D.D., F.B.A., Fellow of Trinity College, Cambridge, and Archdeacon of Ely. Crown 8vo. 2s. 6d. net.

THE LAND RETORT. A Study of the

Land Question and a Reply to the Land Report of the Secret Inquiry Committee. By Charles Adeane and Edwin Savill. Second Edition. Crown 8vo. 2s. 6d. net.

"The book is a really masterly survey of the whole complex problem of agricultural development in this country. The authors are in quest of the truth, the whole truth, and nothing but the truth; on the rare occasions when the Land Inquiry blunders into truthfulness they do not refrain from drawing the reader's attention to the surprising factor."—*Morning Post*.

IS ULSTER RIGHT? A Statement of

the question at issue between Ulster and the Nationalist Party, and of the reasons—Historical, Political, and Financial—why Ulster is justified in opposing Home Rule. By an Irishman. Crown 8vo. 3s. 6d. net.

THE OCCUPYING OWNERSHIP OF

LAND: An Analysis of the Position of the Tenant Farmer and some Suggestions on the Creation of the Peasant Owner, drawn from practical experience. By Bevil Tollemache. With a Preface by Rowland E. Prothero, M.V.O. Crown 8vo. 2s. 6d. net.

"Here we have neither theories nor speculations, but a simple statement of the facts of the position, supplemented by accounts of certain successful experiments that have been made to settle small farmers on the land."—*Guardian*.

A 'FOOL'S PARADISE. Being a Constitutional's Criticism of the Home Rule Bill of 1912. By A. V. Dicey, K.C., Hon. D.C.L. Crown 8vo. 2s. 6d. net.

"A Fool's Paradise" is written with a limited but definite object. Its aim is to establish from the contents of the Home Rule Bill of 1912 the truth of three propositions: (1) That the Bill, if passed into law, will confer no benefit whatever upon England; (2) that it will expose England to the gravest dangers; and (3) that the Bill therefore must be opposed by every Englishman who is not content to dwell in a fool's paradise of credulous optimism.

THE TWO IRISH NATIONS. An Essay on Home Rule. By W. F. Monypenny. Crown 8vo. 3s. 6d. net.

THE STATE RAILWAY MUDDLE IN AUSTRALIA. By Edwin A. Pratt, Author of "Railways and their Rates." Crown 8vo. 2s. 6d. net.

"The author sets forth with abundant incontestable detail the deplorable condition of muddle and confusion into which the State-owned railways of Australia have drifted, and their deficiencies are enunciated in an authoritative fashion. No one interested in the State versus private ownership can afford to ignore Mr. Pratt's vigorously written criticisms, and few will fail to profit from a careful study of the problems connected with the subject."—*Outlook*.

THE PATH OF EMPIRE. A Treatise on the Objects of the Imperial Mission. By Henry Page Croft, M.P. With a Preface by the Rt. Hon. Joseph Chamberlain, M.P. Crown 8vo. 2s. 6d. net.

"We cordially recommend this inspiring little volume and hope that it may be very widely read throughout the Empire. . . . Is informing, stimulating, practical, and instinct with virile, modern patriotism of a common-sense, work-a-day kind; the larger patriotism of All-British Empire unity and progress."—*Standard*.

THE MILITARY DANGER OF HOME RULE IN IRELAND. By Major-General Sir Thomas Fraser, K.C.B., C.M.G. 2s. 6d. net.

"We heartily commend this little book to all interested—and who are not?—in the Home Rule question. It deals forcibly and succinctly with a side of the question too often ignored, and it will at least give Home Rulers seriously to think."—*Sheffield Daily Telegraph*.

EFFICIENCY IN THE CHURCH OF

ENGLAND. Some Remarks occasioned by the Report of the Archbishops' Committee on Church Finance. By W. Cunningham, D.D., F.B.A., Fellow of Trinity College, Cambridge, and Archdeacon of Ely; Author of "The Case Against Free Trade," etc. 2s. 6d. net.

"Full of clear, concise, and practical counsel which one expects from the Archdeacon of Ely."—*The Times*.

THE POOR LAW ENIGMA. By M.

Fothergill Robinson, Ex-Guardian for the Parish of Kensington. Crown 8vo. 3s. 6d. net.

"An interesting book which cannot fail to appeal to all who believe in reform of the Poor Law from within, in contra-distinction to the proposals for 'breaking-up.' . . . It should be read by Poor Law Administrators."—*Local Government Journal*.

CHILDREN AND THE LAW. By W.

H. Stuart Garnett. With an Introduction by the Rt. Hon. Walter Runciman, M.P. Crown 8vo. 2s. 6d. net.

THE CASE AGAINST FREE TRADE.

By the Venerable Archdeacon W. Cunningham, D.D., Fellow of Trinity College, Cambridge. With a Preface by the Rt. Hon. Joseph Chamberlain, M.P. Crown 8vo. 2s. 6d. net.

"Dr. Cunningham's admirable little book, which is simple enough and cheap enough to commend it to a very wide circle of readers, goes to the root of existing conditions with a lucidity rarely found in the writings of economists."—*The Times*.

THE CASE AGAINST TARIFF RE-

FORM. An Answer to Dr. Cunningham's Book, "The Case Against Free Trade." By E. Enever Todd. Crown 8vo. 2s. 6d. net.

This book is intended not merely as a reply to Archdeacon Cunningham's volume, "The Case Against Free Trade," in the same series, but as a general statement of the practical value of Free Trade and of the failure of Protection under modern conditions of fierce international competition.

