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PLATFORM PROTECTIONISM

A Reply to MR. BONAR LAW, M.P.,

BY

JOHN M. ROBERTSON, M.P.

LONDON :

PUBLISHED BY THE FREE TRADE UNION,
8, VICTORIA STREET, S.W.

PRICE SIXPENCE.

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PLATFORM PROTECTIONISM.

§ I.—Introductory Considerations.

It is understood to be the view of "Tariff Reformers," as it is of many Free Traders, that the most resourceful champion of the former party in Parliament is Mr. Bonar Law. Some less prominent adherents of the cause are, perhaps, more consistent and may possibly be more exact, but most of his party, probably, would readily select him to "speak with the enemy in the gate." When, accordingly, Mr. Law issues a collection of five of his recent speeches,* "revised by the author," Free Traders have a right to take them as an authoritative presentment of Tariffist views. True, the speeches do not cover much ground. In one of them Mr. Law

* *The Fiscal Question*, by A. Bonar Law, M.P. Five Recent Speeches. Revised by the Author. *National Review* Office, 1908.

admits (page 80) that "it is far easier to make a speech attacking the Government than to attempt (*sic*) to find not perhaps something new, but something which has even the appearance of novelty in regard to a subject upon which I have spoken so often." Even in these five speeches, many propositions recur again and again, and one or two lines of argument embody the case. The author's revision, indeed, seems to have been largely confined to eliminating portions of the speeches in which the effort to attain novelty had brought him to grief. "The speeches printed in this volume," he explains, "consist of those delivered in 1907 and 1908 of which full reports were available." But he has not availed himself of the full reports. Thus there have disappeared from the text of the Newcastle speech of October 10th, 1907, among other passages which appeared in the local reports of the next day, the following:—

"No duty is paid on any article which is to be used in Germany for the manufacture of something which is afterwards exported."

This passage appeared in at least two Newcastle reports, and the present writer, who heard the speech delivered, can vouch for their accuracy. As the statement in question is an absurd figment, it is, so far, satisfactory to find that Mr. Law has eliminated it. But it is worth while to note the circumstance at a time when Mr. Law's backers in the House of Commons, *à propos* of a plain printer's error in a Yellow Book issued by the Board of Trade, say everything short of

alleging that the accidental dropping of a figure was a wilful misstatement. Mr. Law's misstatement was an exhibition of culpable inaccuracy. The fact from which he presumably started is that certain products imported into Germany for manipulation, or "improvement," preparatory to re-export are not subjected to duty. Of these products one of the principal is rice. The total German import trade of this kind in each of the years 1900 and 1901 was considerably under a million sterling, and the added value was about £250,000 a year. It is further worth while to recall to mind this sample of tariffist propaganda, because it occurred in a speech in which Mr. Law was even more than usually industrious in imputing to his opponents confusion of thought, ignorance; and absurdity. In the passage cited he had contrived to attain to a maximum under all three heads.

He has had the courage to leave standing the passage in which he affected to rebut Mr. Haldane's remark that the War Office's purchase of foreign-made horse-shoes "was an illustration of the beauties of free trade." "Now," asks Mr. Law—after observing that "some philosophers have a very poor opinion of the intelligence of ordinary people"—"how could the War Office illustrate trade of any kind, free or otherwise? The War Office buys, but it does not sell; but trade consists in both buying and selling." This stroke of philosophy comes from a member of the Government whose War Office, during the early years of the century, offered to an astounded world the spectacle of a series of sale tran-

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 actions which were, if possible, even more amazing than its exploits in buying. But the stupor produced by a collation of the historic facts with the assertion is transient as compared with the bewilderment aroused by the thesis as a whole. According to Mr. Law, no one transaction in any market can in any degree "illustrate" trade, because in any one transaction the buyer does not sell! Upon such philosophic foundations, apparently, is built the political economy of Tariff Reform. The structure, as we shall see, is worthy of the foundations.

§ 2.—The Historic Fable.

In the forefront of the book, in the Manchester speech of March 25th, 1907, we have the regulation fable as to a total change in the relation of British to foreign trade since the repeal of the Corn Laws. Thus it runs, in Mr. Law's wording (page 3):—

"I believe that the change which was then brought about was at the time, and for many years afterwards, a distinct gain to the people of this country. *The argument by which that change was brought about was this*—that if we open our door to the raw materials of foreign countries they will in return buy from us in increasing quantities the manufactured goods we desire to sell. But all that is changed. *The Free Trade system which was then enforced has completely gone*—just as completely, without any effort on our part, as if we ourselves had made the change. The stream of trade flows freely in one direction now, but it is blocked when it is desired that it should flow in the other. We can buy freely, but restrictions are raised against us on every side when we desire to sell That

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change . . . is due to the action of foreign countries which used to be our customers, but which are now our competitors. They have deliberately adopted a fiscal system which is intended to have the effect and which has the effect of preventing, so far as they can prevent, them from buying any of our manufactures, while they are free to pour their manufactures into our markets. That change means that these foreign countries, *instead* of being customers, have become successful competitors."

It would seem that even some free traders have been hallucinated by the constant repetition of this fable. But a gross fable it remains. On the very face of the controversy as to the antecedents of free trade lies the fact that many of the protectionist countries of to-day were not only protectionist long before 1850, but were our energetic competitors then as now. It was part of the very case for free trade that our protectionism had at once intensified the competition of those countries with us in both the home and the foreign markets, and crippled our manufacturers for the contest. And if there be one thing more notorious than another in the controversy aroused by Mr. Chamberlain in 1903, it is that he had utterly misrepresented Cobden in describing him as grounding his whole case on the plea that if we adopted free trade other countries would do so likewise.* Even Mr. Chamberlain's perversion of the facts carried with it the admission that other coun-

* See the pamphlet "Fact *versus* Fiction," published by the Cobden Club, ch. iv. Anyone who repeats Mr. Chamberlain's misstatements after reading that chapter is outside honest controversy.

tries had tariffs against our products before we resorted to free trade in corn. And any one who ever went behind Mr. Chamberlain's figments is aware that (1) the existence of those hostile tariffs was urged on Peel as a reason for not abolishing ours; and (2) that Peel had vainly striven for years *before* repealing the corn laws to induce the other protected countries to come to a friendly arrangement. His words have been quoted a thousand times:—

“I frankly avow that in making these great reductions on the produce of other countries I have no guarantee that other countries will follow our example. Wearing by our long and unavailing efforts to enter into satisfactory commercial relations with other countries, we have resolved to consult our own immediate interests, and not to punish other countries for the wrong they do us by continuing high duties upon those importations of our product and manufactures, by continuing high duties ourselves. It is a fact that other countries have not followed our example. Nay, they have in some cases raised the duties upon the admission of our goods. Hostile tariffs, so far from being an argument against the removal of restriction duties, furnish a strong argument in its favour.”
—*House of Commons, January 27th, 1846.*

And Cobden was replying to a host of objections on the score of hostile foreign tariffs when he spoke to the same effect as Peel.

If Mr. Law did not know those notorious facts, what is to be said of his competence to speak on the history of the fiscal question? And if he did know them, what is to be said of his candour? Among the passages in his Newcastle speech which have disappeared under revision

is one to the effect that Mr. Lloyd George, being a young Minister, had "more faith in looking into things" than older hands were apt to have. Apparently Mr. Law, as an older hand, has decided either to waive the precaution on his own account, or to take for granted that it will be waived by his audiences. For their enlightenment, it may be well to put together a few historical data.

In the year 1836 a British historian of the cotton trade, Dr. Ure, puts on record, in his introduction, that since 1814 our competitors in cotton manufactures had so far advanced as to work up nearly three-fourths of the amount of cotton consumed by us, and to have become formidable competitors in markets which before were almost wholly ours—notably in the markets of China, India, Chile, Brazil, Asia Minor, and the Cape of Good Hope. The same historian testifies (1) that in the strikes of 1829 many British textile workers went to France, Belgium, and the United States, introducing the latest British methods; and (2) that, not only in the States, but in Italy, Belgium, Switzerland, and Alsace, there were to be found cotton mills on the newest principles, some of them superior to the best English machinery then running.

In 1838 the Manchester Chamber of Commerce, in a petition to Parliament, gave still more specific evidence as to the stress of foreign competition. The petition testified that Saxony at that date exported four times as much cotton hosiery as did Britain, sending annually

to the United States alone a quantity equal to the whole exports from England to all parts of the world. Nay, more, Saxon hosiery, manufactured from English yarn, was being sold in England after paying an import duty of twenty per cent. In the same year, in the House of Commons, Mr. Villiers testified that the hosiery in question was being sold in Nottingham, where thousands of "protected" workers had been thrown idle by the German competition. Switzerland, he added, was now exporting three-fourths of her textile produce, and successfully competing with English producers in the markets of Italy, the Levant, and the United States. At the same date, whole branches of the hardware trade had left Sheffield, and were being carried on in Rhenish Prussia, where, at that time, the best white bread sold at $1\frac{1}{2}$ d. per lb., as against $2\frac{1}{2}$ d., or more, in England. Such were the condition and prospects of manufacturing industry in England in the heyday of that Protection to which Mr. Law and his colleagues propose that we should return.

Thus many, if not most, of the countries with which we now compete were our successful competitors before our resort to free trade, and were then, as now, protected against our goods by "hostile tariffs." And if it be still argued that, nevertheless, some of those countries were at that time our customers, the answer is that they are so now. Not only may a country which competes with us in the sale of product A be our customer for product B, and we hers for product C, but we may

sell to her grade x of product A, while she sells to us grade y . Those vital facts, familiar to all students of trade statistics, as well as to multitudes of men of business, are habitually suppressed by the advocates of a tariff, whose instinct appears to be at all times to cultivate in their readers and hearers the temper of senseless international hostility. Their conception of trade, in fact, belongs to the time at which that temper was most nearly normal, and it is always this temper that primes their politics.

§3.—The "Scale" Hallucination.

After false history, we get false theory. Mr. Law assured his hearers at Newcastle (pages 27-28) that it is absurd to treat fiscal policy as a question of theory, it being really a question of business—a dichotomy nearly as valuable as his dictum that the act of selling cannot illustrate trade. Every man of business who generalises from his experience is framing a theory; every tariffist trader runs a theory; and Mr. Law grounds his case for a tariff on as empty a theory as ever man propounded. As thus (pages 5-6):—

“That brings me to the root principle of our demand for a change in our fiscal system. It is a principle that is not dealt with at all in the older books of political economy that are still the standard, and for this reason: that it did not exist at the time these books were written. What is of greatest importance is the ability of the manufacturer to produce on a large scale. Under modern conditions, the factor which tells most on the cost of production, far more

than wages or cost of raw material, is the scale on which you produce, and you cannot produce on a large scale unless you have a large market. We have not a large market. Consider our position in contrast with Germany, for instance. The German manufacturers have a market of sixty millions of people from which, so far as they can do it, we are excluded. We have a market of only forty millions, and in our market the German can compete on equal terms, and in some cases better terms, with our own manufacturers. The result is that, speaking broadly, our foreign competitors can, and do, produce on a larger scale, and, therefore, at a lower cost, than is possible for us, and we are therefore faced constantly with this condition, that no matter how energetically our people—manufacturers and workpeople together—may strive for success, they are always met with this difficulty—that it is not possible for them to produce on the same scale as production is carried on by our foreign competitors.”

Observe the assumption. The larger the nation the larger, potentially, the size of the factories, given a protective system. Thus, if we adopt a system of preferential Protection for the entire British Empire, we may expect to see all British factories grow larger, since they will be producing for a protected market of 400 millions instead of a non-protected market of some 300 millions and a partially barred market of 700 millions more. That is to say, we shall have not more factories but larger ones. If the number were to multiply proportionally, the size could not.

Is it then the fact that the factories of the United States are, as a rule, thirty-three per cent. larger than the factories of Germany? In that case, according to

Mr. Law, the American factories will always be able to produce at a considerably cheaper rate than the German ; while these, again, must be able to produce much cheaper than the Belgian. As for Sweden, it would seem inconceivable that she should have any competing power at all, so enormously expensive must be her production per factory in comparison with the rates of the United States.

It will not avail for Mr. Law to answer that Sweden and Belgium have access to the free markets of the British Isles. They have that access in common with Germany and the United States, and while the composite Swedish market would, on this view, be fifty millions, and the Belgian fifty-one millions, the German would be 100 millions, and that of the United States 120 millions. On Mr. Law's view, further, the adoption of Protective tariffs by Britain and Holland would reduce Sweden and Belgium to the ratio represented by their respective population. American production would then be cheaper than Belgian in the ratio of the increased power of large scale production represented by a population of a hundred millions as against one of seven millions.

Does anyone believe this proposition? Does Mr. Law? Does Belgium produce, per factory, for a market of either seven or fifty-one millions, while the United States produce for a market of eighty or 120 millions? Lest any victim of Mr. Law's "theory" be deluded by it, let us note that the export of manufactured goods by

Belgium in 1905 was about £50,000,000, or over £7 per head of population, as against a rate of export of £3 2s. per head of population in Germany, and £1 9s. in the United States. Thus the central thesis that the collective "scale of production" in any protected country is in the ratio of the size of the protected market represented by its population is absolutely quashed even if it be eked out by the wild assumption that each country has only one factory of each type—an assumption which would give Mr. Law's theory its fullest imaginable force.

Coming to the ground of fact, which Mr. Law so rarely treads, let us ask whether the tendency of industrial production is in any country towards an indefinite enlargement of the scale of production per factory, in the ratio of the population of the protected market. If there be such an increase of scale, how is it proved? Has Mr. Law pointed to any statistic of comparative factory production in, say, Germany, Belgium, Russia, Switzerland, Holland, and the United States? He has not even indicated a suspicion that any such statistic is required to prove his point. He has simply taken it for granted that the larger the protected market, the larger the ruling scale of production among its producers. And yet every business man knows that such indefinite expansion of the scale of production does not and cannot take place, any more than the height and weight of the human body can go on increasing in the ratio either of its food consumption or of its exercise.

With characteristic modesty Mr. Law alleges that his precious thesis "is a principle that is not dealt with at all in the older books of political economy that are still the standard, and for this reason: that it did not exist at the time these books were written." True; nor at any other time, if "exist," as a predication concerning a "principle," is to imply its truth. But if Mr. Law means that the "older" books of political economy did not recognise that, *up to a certain point*, widening of the scale of production is an economic advantage to the producer, he is only exhibiting his usual ignorance of history. The order of advantage in question is perfectly recognised by Adam Smith in his observations on the gain from the division of labour as seen in the manufacture of a pin; and the general advantage of large scale production was a commonplace among British manufacturers before the days of Robert Owen. But it has been left for the school of Neo-protectionists to evolve from this commonplace the ridiculous corollary that the enlargement of the scale of production can go on indefinitely, and that it does go on in some fixed ratio to the enlargement of the protected market in which the given producer competes.

On Mr. Law's principles all factories of a given type, in a protected country, tend to be of the same size, and in a large country a small factory cannot succeed, save on condition of making at best a very small profit. And this proposition is given to the world in the name of "business" as against "theory." As every travelled

man of business knows, there are in protectionist countries factories of widely different size in every type of industry; and the small factories may succeed, while the large factories may fail. It is a question of management, and perhaps partly of luck. It is true that in Germany at this moment, as a result of a heavy depression in the iron trade, there is going on a severe struggle between large and small producers.* But that is a proof that in Germany there *has* subsisted to this day the fact of production on a small scale as well as on a large. And this differentiation will certainly continue. Alike in free-trading and in protected countries, there is a chronic tendency to the unification of a number of small competing concerns, and such unification may be profitable. But daily experience shows that beyond a certain—or uncertain—point such profitable unification is impracticable. The compound concern becomes unwieldy; the difficulty of adequate supervision either increases costs or entails waste beyond the point of profitable competition; and a new concern of much smaller size begins to succeed where the other is tending to fail. On the two margins of the limit, many concerns are to be ranked at any moment. The one thing quite certain is that in no country in the world does the scale of production per factory widen with the market. The *number* of factories almost invariably increases faster than the scale. In Germany there were in 1891, 1,160 iron foundries, employing 62,743 men. In 1904 there were

* See the *Times* of July 3rd, 1908, Financial and Commercial Supplement.

1,621, employing 104,604 men. Thus the average number of hands per foundry had risen only from 53 to 64, the number of foundries having nearly kept pace with the expansion of output; and as there obviously remain many relatively small foundries, the alleged all-round expansion of scale has simply not taken place. Mr. Law's theory requires that the number of factories should have been reduced to expand their size, whereas it has, apparently, increased much more rapidly than in England. It is true that in the United States there is a tendency to decrease in the number of factories, but that is due, first and last, to the syndicating policy which thrives under tariffs, and of which the great object is to raise prices by abolishing competition. Thus the "scale" theory, as propounded by Mr. Bonar Law, is once more shown, *a posteriori*, to be a chimera.

Not only may many British factories produce on a larger scale than many German or American factories of the same type, but, in the terms of Mr. Bonar Law's own testimony, whole industries in Britain tend to do so! As usual, of course, he contradicts himself flatly and repeatedly. In first propounding his "scale" theory to his audience at Manchester he tells them (page 5): "You cannot produce on a large scale unless you have a large market. *We have not a large market.*" Then, after alleging that, *because of its smaller home market*, the British iron industry cannot produce on the same scale as the German, he proceeds to say:—

"The cotton industry has not suffered in the same way. Why? The reason is perfectly obvious. You do not de-

pend in Lancashire, and have never depended, for the sale of your goods on the markets of your foreign competitors who raise tariffs against us. *You depend now on the great neutral markets of the world which even yet have not erected these barriers against us. You still have free trade here, and the result is that the history of that trade, the fact that it has been more successful than other industries, really proves the truth of the principle upon which our demand for change is based. You have held your own in the cotton trade because you have been able to organise your industry, produce on the largest scale, and make full use of the immense advantage of being first in the field before any of our competitors were there.*"

Not only is the contrast here drawn between the iron and the cotton trades a sheer sophism, inasmuch as the iron trade had exactly the same advantages of partial priority, and has equal access to the "great neutral markets," but the theorist himself goes on to tell the cotton manufacturers in the same speech (pages 13, 17): "What is your chief market of to-day? It is *India*. That is by far the most important of your markets." By his own admission, the Indian market, being unprotected, is exactly on all fours with the British. It is equally open to foreign competition. Then his doctrine that "scale" expands in the ratio of the protected market is once more shown by himself to be a delusion. In the effort to gloss his self-contradiction, he speaks of "the immense advantage of being first in the field before any of our competitors were there." The folly of this particular sophism may be measured by noting the fact that, as compared with the United States and Germany, we were no less "first in the

field" alike as regards silk, cotton, woollen, and iron. Why, then, have we not remained first in silk, woollen, and iron? As to woollens, we actually raise a large part of our own raw material; while, as to cotton, we import it all—much of it from our "competitor," the United States. Nay, immediately after propounding the "first-in-the-field" theory as regards cotton, Mr. Law goes on to argue (1) that the British cotton industry is *not* successful, and (2) that in Germany and the United States the industry is doing much better. Here are his words on the first head:—

"The *best test* of the expanding prosperity of a trade is the number of people to which it gives employment. Judged by that test it (the cotton trade in Britain) is *not expanding at all.*"

He proceeds to admit that, despite the result of the "best test," the cotton industry *is* expanding!—in terms of the *worse* test of total consumption and output; but he adds further that the German and American consumption and output are increasing much faster. Then to what do we come? The cotton industry of the United States "has the advantage of an immense market of her own and of her own raw material." That is to say, in terms of the "scale" theory, it can easily produce much more cheaply than ours. Why, then, does it not defeat ours alike in India and "the great neutral markets of the world"? There is only one answer. The "scale" theory is a vast imposture; and in Mr. Law's hands it is bolstered by a series of contradictions which multiply the absurdity of the whole argument.

It remains but to point out, in this connection, the nullity of his reasoning in regard to the British output of iron. In his customary fashion he declares (page 6):—

“A few years ago we were easily in the first position; now we are a bad third; and your prosperity is largely dependent on the much greater prosperity enjoyed by Germany and the United States.”

The third clause, as we shall see later, is one more of Mr. Law's economic absurdities: the first and second constitute a typical suppression of the truth. As every competent inquirer knows, the American and the German output of raw and pig iron has latterly exceeded the British because the American and German ironfields *are much larger than the British*. If there were any truth either in the “scale” theory of Mr. Law or in his general doctrine of tariffs, our production of iron ought to have been exceeded by France, Belgium, Spain, Sweden, Austria, Russia, Italy—in fact, by every protected country in the world.

§4.—The “Raw Material” Fallacy.

One of Mr. Law's basal theories thus reduced to vapour, we search for the others. What appears to be a doctrine of central significance is propounded by him (pages 36-37) in his speech at Newcastle, where he lays it down that Tariff Reformers

“desire to see both imports and exports increase, but we desire to see their character changed. What we aim at is

that a *larger and larger proportion* of our imports should consist of raw materials, to be worked up at home, and that a larger and larger proportion of our exports should consist of manufactured goods *which have given employment to our own workmen.*"

If there is any meaning whatever in the words italicised, it would seem to be that "raw materials," so called, do *not* "give employment to our workmen," or do so in a much smaller ratio to their exchange value. How absolutely contrary is this implication to the fact may be learned by comparing the numbers of the hands employed in our textile industries with the numbers employed in raising, say, coal and iron. As Mr. Law himself expressly contends, the number employed in the cotton industry does *not* increase even while there is a considerable increase in the total consumption and output. The total number of cotton operatives in Britain is about 525,000, while the number of hands employed in coal-mining alone is nearly a million. Then by Mr. Law's own "best test" we should desire to see our coal output increased rather than our export of cotton. The wages of the coal miners are the higher; and the proportion of British labour-cost (in the popular acceptance of the terms) in the selling price of coal is much higher than in that of cotton products. [The economist knows, of course, that *all* price is in the long run in terms of labour-cost; and that the primary "cost of raw material" in the price of cotton goods is in terms of the *other* British labour required to produce the goods or services which buy the raw cotton;

but one must try to enlighten Mr. Law's followers by arguing where possible from their own premises.]

In this dilemma Mr. Law, as usual, resorts to tests which negate those he has already professed to accept.

"All exports," he goes on, "are not of equal value. *It is easy, for instance, to sell raw materials.* . . . Your coal is welcomed with open arms by our greatest competitors, who do their utmost to exclude our manufactured goods."

It is difficult to understand the mental processes of a professed man of business who commits himself to such an assertion. Does Mr. Law really believe that raw materials are *in general* any easier to sell than manufactured goods? Has he never heard of disastrous falls of prices in the raw material market? Has he never heard of farmers in the Western States of America burning their wheat because the current prices would not pay the cost of carriage and yield them any profit? If this can happen with food, why not with raw material? Has he never heard of "ruinous" falls in the prices of iron, wool, cotton, and flax? With what formula will he comfort the producers of wool, flax, and Kauri gum in New Zealand, who, according to the *Times* of July 10th, 1908, are all suffering from a heavy fall in prices, with the result that, in the opinion of the Chairman of the Bank of New Zealand—

"unless some arrangements can be made by which employees of flax mills can be induced to accept lower wages, between 7,000 and 7,500 men engaged in the industry in various parts of New Zealand will be thrown out of work.

This will be most unfortunate, inasmuch as the majority of the men who find work at the various mills are of the unskilled type."

If it is always easy to sell "raw materials," why does the iron output of Britain fluctuate; and even as to coal, why are there ever times of depression, lower wages, and closed pits? Is it possible that he offers grave counsel to the traders of his country without the slightest preparatory reflection on what he is asserting?

As to his doctrine concerning the export of raw materials, it is intelligible that he should, in a general way, wish to see our coal economised. With that ideal we can all broadly sympathise; and if there were still reason to think, as there once seemed to be, that our coal supply is being exhausted much faster than that of other countries, and is actually near exhaustion, we might all take counsel as to how to limit the process. But nearly every relevant statement made by Mr. Law on this subject goes to show that Germany and the United States are exhausting their coal supply more rapidly than we. And further, when we collate his doctrine as to coal with his doctrine as to iron, we find him even more grossly inconsistent than usual. To his Newcastle audience he thus delivers himself (page 38):—

"It used to be maintained—it has, indeed, been maintained over and over again by Mr. Asquith—that the export of coal is just as valuable as any other export. That is a strange doctrine, for, after all, coal is capital, and when once it has been removed it cannot be replaced."

In the previous speech at Manchester (page 6), as we saw, he lamented that in the output of iron we are now "a bad third," and that our "prosperity" in this regard is dependent on the much greater prosperity of our chief rivals. Now, it takes, roughly speaking, two tons of coal to smelt one ton of iron; and iron, once exported, is just as irreplaceable as coal. We are, then, to exult over the disappearance of our capital as regards coal and iron together, but to lament over it as regards mere coal! Are we dealing with wilful claptrap, not to say deceit, or with sheer incapacity for economic reasoning?

The latter conclusion is, indeed, pressed upon us when we analyse Mr. Law's demand that a "larger and larger" proportion of our imports should be raw material, and a larger and larger proportion of our exports should be fully manufactured goods. He seems to have lost sight of the nature of things. At present our imports of "raw material and articles mainly unmanufactured" are, roughly, about thirty-eight per cent of the total import; those of foods, drinks, and tobacco, about thirty-eight per cent more; and those of manufactured goods only about twenty-four per cent. But of the manufactured goods, so called, a large proportion consists of the raw material of many of our own producing industries. They include, that is to say, pig and puddled iron, iron and steel castings, forgings, hoops, pipes, plates, and wire, as well as nails, rails, and blowers and bars of steel; copper, regulus and precipitate, unwrought and part wrought; lead, pig and sheet;

quicksilver; tin in blocks, ingots, bars or slabs; zinc; chemicals, drugs, dyes and colours (over five millions worth); and leather (over four millions worth), besides the articles ready for the final consumer, which we commonly understand to be signified by "fully manufactured goods."

Now, as a matter of fact, the latter order of goods are those of which our import increases most slowly. But Mr. Law is not satisfied with this. He insists on increasing proportions of "raw" imports (whatever he may mean by the term) and decreasing proportions of the other. At the same time he insists on increasing proportions of manufactured exports. See what follows. If his wish is realised, at a certain point our import of raw material will merely pay for our export of manufactured goods *plus* the whole services rendered by our shipping, our insurance, and our investments. Our shipping earns, say, ninety millions a year; and our investments bring, say, sixty millions more after deduction of the interest we pay on foreign investments in Britain. For all this we are to import merely extra raw material (including, let us hope, foods), and the faster we increase our exports of, say, cotton goods, the faster we are to increase our import of raw cotton, though the manufactured article ought to be worth about double (more or less) the raw material. In what kind of industrial world could any such thing happen? According to Mr. Law, be it remembered, the other industrial countries are to be doing the same thing at the

same time. Each one is to increase its proportion of imported raw materials and its proportion of exported manufactures. Australia, indeed, is for long to be chiefly an exporter of raw materials; but then protectionists in Australia, as Mr. Law very well knows, desire to increase their proportion of manufactured exports, and to diminish their proportion of manufactured imports. Has he ever asked himself how the progressions of which he speaks are to be possible in terms of arithmetic, matter, and motion? Many times over he uses the word "infinitely" in his comparisons of foreign with British progress. Is it possible that he really thinks in terms of infinities, and is not using the word as a mere expletive?

Striving to penetrate the haze of his rhetoric, we seek, yet again, for his ultimate or primary theory of trade, only to find that here, as elsewhere, he balances between two terms of a contradiction.

§ 5.—Mr. Law's Theory of International Exchange.

Like nearly all other tariffists, Mr. Law bases his prescription on the premises (page 4) that the protective tariffs of foreign nations have "the effect of preventing, so far as they can prevent, them from buying any of our manufactures. The German manufacturers," he adds "have a market of sixty millions of people, from which, so far as they can do it, we are excluded."

The proposition, to begin with, is plainly untrue. If the German nation desired to exclude our manufactures

they could do so by prohibition, as we used to do certain foreign goods, and as Portugal to-day prohibits imports of wheat. But, further, the proposition suppresses the fact that the countries in question tend to exclude each other's products at least as much as they do ours, and more so where the tariff gives less than the most-favoured-nation treatment, which we receive almost everywhere. In point of fact, so far are the tariffs of protectionist countries from excluding our manufactures, that our total exports to Germany in the years 1903-1907 have increased, in millions sterling, as follows: 23·5, 25·1, 29·7, 33·5, 41·3. And of this by far the greater amount consisted of manufactured goods. Apart from coal and other fuel (5·4 millions in 1907), there was very little 'raw' material in the strict sense of the term, though there was 1·6 millions worth of dressed wool (less than the amount in 1906); 3·8 millions worth of woollen and worsted yarns; and five millions worth of cotton yarn. The latter items are relatively raw material; but they employ a great deal of home labour. Even the raw wool export is important to agriculture, while the dressing of wool is a home industry; and the 2·3 millions worth of exported herrings will probably not be objected to. On the other hand, the British imports from Germany in the same year were, in millions sterling: 34·5, 33·9, 35·7, 38, and 38·7. That is to say, the exports have not only increased more rapidly than the imports, but have finally exceeded them. Even to France our exports in the five years have risen thus, in

millions sterling: 15·8, 15·2, 16·1, 20·4, 23·4; whereas our imports thence have increased more slowly: 49·3, 51·1, 53, 53·8, 52·8—actually falling in the last year, while our exports have increased by three millions.

It thus appears that France, which is in a much less degree our industrial competitor, takes much less of our goods, proportionally, than Germany, our great "rival." From France, our chief articles of import are motor cars, apparel, lace and embroidery, silk (a decreasing item), butter, fruits, vegetables, wine and woollen stuffs (also decreasing of late years); while our two largest items of export to her are coal and wool. Yet the total exports of France in the seven years, 1901-7, have increased only 61 millions sterling, and her manufactures 40 millions, as compared with British increases of 146 millions and 119 millions.

In the case of the United States, again, the progressions are similar. In 1891-5 our exports rose, in millions sterling, thus: 22·6, 20·2, 23·9, 27·7, 30·9; and our imports thus: 122·1, 119·2, 115·5, 131·1, 133·6. Of these imports, by far the largest items are raw cotton (38·5 millions in 1906 and 46·9 in 1907), live cattle (5·9 millions in 1907), grain and flour (18·2 millions), lards (4·2 millions), meat (14·8 millions), oils and wax (5·3 millions), leather (3·2 millions), tobacco (3·3 millions), woods (4·2 millions), and copper (2·9 millions). Of manufactures the largest item is machinery (3·1 millions) of all kinds. Here again we find that a great "rival" sends us chiefly food and raw materials; while

we send her 4.5 millions worth of products made from her own raw cotton, 3.9 millions worth of linen manufactures, 4.1 millions worth of iron, and 1.4 millions worth of woollen products.

The usual tariffist retort is that the States ought to take from us products to the full value of our imports from them. This answer utterly ignores the fact that for a very large amount of the balance we have paid in services, otherwise "invisible exports," in the form of freight-carrying—a branch of industry from which, as regards oversea trade, the States have almost entirely excluded themselves by their protectionist policy in regard to shipbuilding materials; and that a further large sum in our "excess of imports" is payment of interest on British investments in the States. How much better could we conceivably do, in trade with either a free-trading or a protectionist rival? Small as is the United States import from Britain compared with our import from them, it is much larger than her import from any other country. From us she took in 1907, according to the U.S.A. Statistical Abstract for that year, 246 million dollars, from Germany only 161 millions, from France only 128 millions. What, then, do France and Germany gain, from the tariffist point of view, in their trade with the States?

And this is not all of the free trade case, on this side. To India, Italy, Turkey, China, Japan, Brazil, Cuba, Uruguay, Mexico, and some other countries, we generally export much more than we import thence. To

Italy the excess of exports in 1906 was $7\frac{1}{2}$ millions; to China (apart from Hong Kong) nearly nine millions; to Hong Kong, $2\frac{1}{2}$; to Japan, ten; to India, over seven. How are these excesses of export repaid to us? Obviously by imports from countries which balance our accounts by sending us more than we send them, and in turn balance their accounts by importing more from the countries enumerated (or others dealing with them) than they export thither. And not only do we carry much more of this traffic between country and country, thereby earning still more imports; we actually import and re-export, at a profit, a large amount of the foreign and colonial produce which goes to pay the countries from whom we take more than we send of our own domestic produce. Thus in 1906 we sent to the United States from this country $25\frac{1}{2}$ millions of foreign and colonial produce—nearly as much as we sent of our own goods.

In fine, no protectionist country can do more by its tariffs than widen the circle of its exchanges. That is to say, Germany and France and the United States may bring it about that for some of the goods which we take from them—and which we take because it is advantageous to our consumers to take them—they are ultimately paid by certain produce of Italy and India and China and Brazil, and not by British manufactures. But that produce in turn is paid for in India and Brazil and Italy and China by British manufactures. In regard to every item, the trade goes thus because it is

mutually advantageous; and the difference between our advantage and that of the protectionist countries is that ours consists always in our making a maximum national profit, while theirs consists in making maximum private profits at the expense of the majority of their consumers. What taxes we levy on imports, being non-protective, go wholly into the national exchequer. What taxes they levy on imports, being mainly protective, raise the prices of all their products that could otherwise be, or are actually, competed with, thus involving a second tax on the consumer for the private benefit of the producer.

The residual fact remains that always the maximum of profit comes to us, not to the protectionist country; because we always send our goods where they will bring us the largest return. And, in so far as the protectionist countries force a widening of the circle of expansion as between us and them, they tend to give more and more trade to our shipping, which does more than half the whole oversea carrying trade of the world.

Of this total process of international trade, Mr. Law at times sees as much as moves him to acknowledge (page 55) that, in the case of Australia, exports must be paid for by imports. "She cannot export if she does not import, and, therefore, however high she may make her tariff, if she is to do any foreign trade at all she cannot make it so high as to prevent imports." One is moved to ask: Is this state of things peculiar to Australia? Can other countries export without importing? If so,

how do they manage it, and why do they seek to do it? If not, what is the object of singling out Australia as the subject of what should be a universal predicate? And what becomes of the preliminary affirmation that our export trade is blocked by foreign tariffs?

The passage in question occurs in the Newcastle speech; and the occasion was somewhat amusing. Viscount Ridley, who was in the chair, had vehemently described the new Australian tariff as a severe blow at British trade, justified by the refusal of the Government to grant colonial preference. The whole object of Mr. Law's speech, on the contrary, was to make out that the Australian tariff was a boon and a blessing to British trade. Mr. Law, accordingly, having to convert his chairman as well as the majority of his supporters, indulged in one or two elementary economic truths which otherwise he would have been the last to stress. It is thus possible to cite his authority for a proposition which makes short work of most of his customary reasoning. In the first place, what is true of Australia is true of every other country, with the general qualification that exports up to a certain point may pay only for freights, or interest upon debts. In the second place, Australia, like other protectionist countries, may, by her tariff, force a widening of the circle of exchanges. And when she offered, for instance, a duty of five guineas upon French and of five pounds upon British bicycles, she was only farcically affecting to encourage the importation of British bicycles. The revised tariff leaves the duties at

25 per cent on British and 30 per cent on foreign bicycles, which is not so nakedly exorbitant, but still bad enough. And the duties on woollen apparel remain 35 and 40 per cent respectively. The object of such duties is to minimise foreign imports; and the effect of a tariff framed on such a scale is to bring it about that, for her exports of food and raw material to Britain, she shall be paid, as far as possible, either by British raw material or by the food and raw material of other countries which do buy British manufactures. Nor have British tariffists any right to protest. Australia, like Canada, is seeking to promote, by high protection, the home manufacture of all articles capable of home manufacture. Canada gave instant warning to Mr. Chamberlain when he suggested that she should manufacture less in order to keep a market for the mother country. He was doing exactly what he had falsely accused Cobden of doing in regard to the United States. And the fatality of the whole tariffist movement in this country is that it has to cater for support on the false pretence that the colonies are collectively disposed to help the manufacturers of the mother country by buying their goods. The manufacturing classes in the colonies are practically dominant, and they are forcing on the agricultural classes and the general consumer the main burden of finding a revenue and supporting the manufacturing class in affluence, exactly as the dominant landowning interest did by the rest of the community in Britain in the days of the corn laws. The preferences they have so far given to

British goods are repented of as soon as it is found that they are enabling British goods to come in in considerable quantities. This has occurred in Canada. Australia, consequently, is anxious to offer only illusory preferences; and only where the agricultural class makes a very powerful resistance is anything like a real preference given.

Mr. Bonar Law's sole economic plea for Colonial preference, accordingly, is that, though at present we do a great export trade with such countries as China and Japan, it is probable that Japanese competition will ere long restrict that trade, whereas Colonial preference will secure us a permanent market, sufficient to make amends not only for such restriction, but for the alleged exclusion of our goods from all other protected markets. This plea will not bear a moment's examination. There is not a whit more security for the continuance of an effective Colonial preference than for the continuance of any other market whatever. Each Colony, as regards the manufacturing population, is visibly bent on extending manufactures by means of high protective tariffs. Every preference which measurably encourages imports from Britain is at once impugned by the Colonial trade concerned. The bargain is hopelessly precarious, even as regards the manufacturing class; and as regards most of the others it is still more so. We are asked to give a preference to Canadian and Australian wheat, but not (at present) to Canadian timber and Australian wool. What then is

to induce those producing these things to maintain a Colonial preference in our favour? Their obvious policy is to make their assent conditional on an extension of preference to Colonial raw material; and either the preference ends or the tariffist platform is destroyed.

Meantime, what a price should we have paid for a trifling or illusory advantage in two or three markets! We should have lost the most-favoured-nation treatment in every other market in the world. In a word, we should have spoilt four-fifths of our market for the sake of the other fifth.

So gross an economic folly is not to be committed by a nation in its senses. And, accordingly, Mr. Law's colleagues, first and last, appeal to every instinct of their countrymen rather than to their economic common sense. Addressing the manufacturers of Lancashire, Mr. Law indeed declares (page 14):—"I have never on a single occasion dwelt, in arguing this question, on what is called the Imperial side of it . . . I have always believed, and believe now, that the change may be amply justified on trade grounds, and on trade grounds alone. But here the trade and the Imperial side go hand in hand." Then did they not go hand in hand elsewhere? A question not to be asked! Mr. Law talked Imperialism to the cotton trade because no other sort of appeal could have even the semblance of validity. Where men's economic interests are against a given course which you want them to take, you must try to rouse their fears and their passions. "Whatever the

opinion of Lancashire men may be on the fiscal question," declares Mr. Law (page 13), "the men of Lancashire are not, and cannot be, Little Englanders." That is to say, they cannot regard England as a great nation. They are to prove their greatness of soul by whimpering for a paper arrangement by which they may call themselves, not forty millions, but four hundred millions, adding to their Imperial roll the three hundred millions of India, to whom they accord no political rights. Thus are Englishmen to be made a great people. The present writer has before now avowed the conviction that the term "Little Englander," as applied to those who think England great on other counts than area and population, must have been first excogitated by the kind of man who would be ashamed of his mother if she kept a small fruit shop, and proud of her if she kept a large public-house. Those who adopt his inspiration do themselves small honour. But a bad cause must run to bad catchwords. And we have only to analyse Mr. Law's arguments in regard to India and the Empire in order to realise once for all how extremely bad his cause is.

§6.—The Case of India.

"The trade and the imperial side," in Mr. Law's speech at Manchester, "go hand in hand" in this wise (page 15):—

"What is your chief market to-day? It is India. But there is not a man who does not know that this is a market

for us only because India is under the British flag, and that if any change took place in that respect—if it were possible, for instance, for India to become self-governing—the whole sentiment of the people of India is in favour of establishing and protecting Indian industries. In that case, you would be shut out of their markets. If, what is more likely, India were seized by another Power, the result would be the same. . . . Your market in India depends on our power to retain India, and we can only retain India so long as we are one of the great Powers of the world. . . . If in the next generation our great competitors, Germany and the United States, increase in population and in wealth in the same proportion as they have increased in the last generation, and we only increase in the same proportion, at the end of that period we shall have fallen inevitably to the rank of a third or fourth-rate Power in the world. How is that fate to be avoided? If it can be avoided at all, it can be avoided in one way, and one way only, by making common cause with those great Colonies that have sprung from us; by combining with them; *by making common interest with them; and by uniting their strength with ours.* If we can do that, then in the future, as in the past, we can feel that the position of the country is secure.”

What is here meant by “in the past” is hard to divine; and the proper course seems to be to set the phrase aside as accidental verbiage. Let us, then, note the essential content of the passage.

1. Mr. Law asserts that India, if free to choose, would be protectionist, like the Colonies; and as he vindicates colonial protectionism, he in effect asserts that we keep India backward by refusing to let her have a protectionist tariff.

2. Nevertheless, we are to continue to do so for the sake of our cotton trade.

3. But to be able to persist in doing this we shall ere long be absolutely compelled to enter into a military union with the self-governing colonies, "uniting their strength with ours." Otherwise Germany and the United States will take India from us by force. Thus the Colonies are to help us force on India a system which they, like Mr. Law, consider injurious and intolerable to themselves.

4. And we can count on the Colonies doing this for us if we give them a preference in our own markets for wheat and some other articles of food or quasi-food, but not for raw materials.

The ethics and the politics of this memorable deliverance seem to be on a par. We are to persist in inflicting on India, on tariff principles, with the help of the Colonies, what the tariff doctrine itself declares to be a gross injustice. So much for the morals. As regards the politics, we have prophecy of the most blatant description. It is taken for granted that a third-rate Power cannot keep its possessions; from which it is to be inferred that Britain or some other Power is now on the way to steal Java from the Dutch. With equal plausibility it is alleged, in effect, that the Colonies will bear a proportionate part of the military burdens of the whole Empire if we give them a limited preference.

It would be embarrassing to our discussion to inquire whether Mr. Law believes this last proposition; but it

is necessary to point out that nobody else does; and that any such suggestion to the Colonies would instantly be met by a derisive refusal. But apparently Mr. Law expects the Lancashire cotton manufacturers to believe his implicit assertion.

As to the morality of the thesis, Mr. Law of course affirms that by giving India a preference we shall be benefiting her trade.

“A preference on taxation now imposed in this country on tea, coffee, cocoa, and tobacco—all of which are largely produced in India, and which can be produced in much larger quantities—a preference on these commodities would give an immense stimulus to the whole industrial community of India. But if we adopted—as I think we shall adopt—a system of putting a small duty on foreign corn, and leaving corn grown within the British Empire to come in free, there is in India practically a boundless possibility of expansion in the growing of wheat, and India would share equally with our Colonies in the benefit of such a preference. There is much we can give to India. In return we would have the right to ask, and expect them to grant us, a preference on the manufactures carried into India, which would make us permanently free from the danger of foreign competition.”

An analysis of this pleasing prospectus will perhaps raise the reader's estimate of Mr. Law's gifts for company-promoting, but hardly of his value as an economist. Let us take first the four food items which he names apart from wheat. The value of all the tea imported into the United Kingdom in 1907 was £10,744,719; and of this £9,403,335 was from British Possessions—practically all of it from India. The pos-

sible gain to India, then, from a preference on tea, is scarcely worth reckoning. Of cocoa we import £2,105,797 worth, of which £791,595 came from British Possessions—nearly all of it from Ceylon and India. There is, then, a possibility that under a tariff India might send us about as much again. Of coffee, similarly, she might at the outside raise her average export to us from some £400,000 or £500,000, to £2,000,000 or £2,500,000. As regards tobacco, which she is now free to export as she does other produce, her total export to us is somewhere between £20,000 and £30,000. The probability is, then, that if the quantity were greatly increased, we should be extensively and patriotically consuming a highly unpalatable article. If Indian tobacco is in so little demand at present, the British appetite for it seems a somewhat precarious basis for an inter-imperial trade.

There remains wheat. Mr. Law offers simultaneously to India, Canada, and Australia the attraction of an "infinite" expansion in the demand of the mother country. Again, it is to be feared that the temptation assimilates to that held out by the vendors of apparently filled purses at fairs. To the British power of consuming wheat there are tolerably definite limits; and after it is demonstrated—as is ostensibly done daily by tariffists—that Canada alone could, and in all likelihood would, with a preference, soon supply the entire British demand, the possibilities open to India and Australia would seem to be quite finite. It is all very well

to hold out the hope to one "Possession" at a time. But, in the classic words of Lincoln: "You may fool all the people some of the time, and some of them all the time, but you can't fool all of them all the time."

And still we are left facing the fact that the tariffists, who advocate above all things the protection of manufactures, *propose to refuse to India the power to protect her manufactures, and ask the protectionist Colonies to help them.* Declaring that the ideal for their own country is to export as little raw material as possible, they propose to keep India, as far as maybe, incapable (from their point of view) of exporting anything but food and raw material.

Some critics of British rule in India allege that we enrich ourselves by exploiting her. Mr. Bonar Law sets forth such a process as the ideal of his party. The total extra trade of which he holds out to her a prospect would be worth a few millions at best. And in promising this he is perfectly aware that by giving a preference to British goods she would raise the tariffs against her produce in every non-British market in the world. A free-trader can at least claim that, in his belief, Britain gives to India the trade benefits that she receives thence. It is left to the party of Mr. Law to propound to the British people a policy which in terms of their own doctrine is one of commercial oppression. Such is the gospel of the Large Englanders reduced to plain terms.

§7.—The Taxation Mystery.

If there is any point upon which the tariffists in the House of Commons are now nearly unanimous, it is that the national finance calls for a "broadened basis of taxation." By this is meant neither the taxing of more people than are at present taxed, nor the laying of the new burdens on those best able to bear them, but the forcing of more revenue from those who already bear the main burden of taxation, to the end of enriching landlords and capitalists. What the tariffists propose to tax is not luxuries, but necessaries—bread, butter, beef, eggs, boots, hats, cutlery, glass—all the articles required in daily life by the mass of the people.

To this patriotic policy Mr. Law is ostensibly committed, like his coadjutors, though, as we have seen, his "Imperial" policy, involving as it does by his account "vast" or "infinite" extension of exchanges between the mother country and the "Possessions," leaves no perceptible chance for the importation of foreign goods enough to yield any revenue worth mentioning. It thus becomes an acutely perplexing problem to know how he and his friends propose to hallucinate the British public sufficiently to induce them to vote for Protection on the revenue theory.

But that is not all. Mr. Law reverts every now and then to the position of Mr. Chamberlain, who, as free-traders will remember, specially substituted for a doc-

trine of sacrifice a plan by which a tax on wheat was to be compensated for by taking something off tobacco, or, haply, sugar. Now that more than half the sugar duty is actually taken off, as it happens, nothing but objurgation on the subject comes from the tariffists. But still Mr. Law talks of new remissions. "Revenue must be raised in some way," he tells his hearers at Newcastle (page 49); "and if a certain amount of money is raised by a duty on wheat, a similar amount can be remitted from something else. That is surely very elementary." It is, indeed. And it is no less elementary a proposition that if, as Mr. Law alleges, Colonial and Indian Preference is to evoke more than enough of wheat supply within the Empire to meet the entire British demands at a lower price than ever, there will be no revenue at all from a tax on foreign wheat, and, consequently, no need to remit anything "from something else." In which case the point of the proposition that "revenue must be raised in some way" becomes highly problematical.

Of this difficulty Mr. Law does not appear to be conscious. He returns to the theme in his speech at Bournemouth (page 119), where he fluently repeats what he said at Newcastle. It is perhaps a relief to find that he can stick to something. But when the something is a self-contradiction, matters are not mended. "Taxation," repeats Mr. Law, "must be imposed upon something; and if a certain amount of money is raised from the taxation of grain"—which, he has assured us, will not

happen after a year or two—"a similar amount can be remitted from the taxation of something else."

Passing from the major mystery, let us face the minor. If the "similar amount" is remitted, where exactly is the broadening of the basis of taxation to begin? Let us assume that the increased cost of bread and beef and butter is all to be taken off tobacco and brandy—an arrangement which will be gratefully appreciated by the widow and the orphan. Revenue, as Mr. Law so clearly perceives and so industriously affirms, must be raised from something—or somebody. Is the required extra revenue to come, then, from the taxation of manufactured goods? Such appears to be the ordinary tariffist assumption. But if it is necessary to offer to the consumer a compensation for the taxes on his bread and butter and beef, is it not necessary to compensate him for the taxes on his boots, his bed, and his bicycle? If not, why the worry about his bread tax? If the consumer can stand paying ten per cent extra on his clothes and his furniture, his watch, and his knife and his spoons, seeking no "remission on something else," on what ground is it thought necessary to pacify him about the taxes on his food?

It cannot be that the food taxes are admitted to be heavier than those on manufactures. As we have seen, Mr. Law insists that our bread will become positively cheaper; and he further assures us (pages 130-131) that already we pay as much for our beef as we could ever be made to pay, by reason of the machinations of the

American Beef Trust, which "exact's every farthing which it is possible to screw from our people." "It is surely obvious," adds Mr. Law, "that a small duty could not raise the price." So be it. And the same thing surely holds good of butter and cheese, of which we get so much from the Colonies already. Then what we arrive at is that we are to be anxiously compensated by remissions on tobacco and tea and so forth for taxes on bread and beef, which will cost us nothing. And yet, all the while, nothing is said of remissions to compensate for the import duties which *will* infallibly raise prices, inasmuch as they are expressly framed to restrict supply.

It is, of course, inconceivable that Mr. Law, good honest man, is seeking to throw dust in our eyes. The responsible spokesman of a wealthy party cannot be supposed to conduct himself like a thimble-rigger at a fair. He must have a meaning which is compatible with common honesty. And as he apparently cannot reveal that meaning in the course of five revised speeches, it becomes the pressing duty of the tariffist party to reveal it for him. Perhaps Mr. Austen Chamberlain would oblige. It is to be feared that Mr. Balfour is not to be looked to in an emergency of this order.

Remissions, no doubt, will be provided all round. Mr. Law, one hopes, is not the man to gerrymander a tariff so as to give a *quid pro quo* where, by his own account, none is needed, and refuse it where it is going to be needed very much. Only we are left in the old quan-

dary as to the broadened basis of taxation. Old Age Pensions are not to be stopped or curtailed. Not even a tariffist House of Lords will suggest that. There will assuredly be no restriction, by tariffist hands, of the expenditure on the Army and Navy. Mr. Law, in whose eyes mere Britain is a pitiable aggregate, would perish rather than lessen the parade which, in his eyes, is the measure of true greatness. Rather he would build more ships to capture alien commerce in the naval Armageddon which fills the dreams of himself and his comrades when they are not patriotically visualising the "two bad winters" which, as he has told us, are all that they require to make them happy. Expenditure, then, will increase and multiply. And all that remains to be made clear is how Mr. Law's system of all-round remissions will conduce to the erection of that stately structure of taxation, broad-based upon the people's bread, which is the avowed ideal, end, and aim of his party, albeit negated in advance by Mr. Chamberlain, and checkmated by the four incompatibles of Mr. Balfour.

§ 8.—The "Instrument of Negotiation."

And now let us consider how the prescription of Mr. Law relates to the other nostrums in the tariffist creed. It will be observed that nowhere in the five speeches now re-published does he allude to the "instrument of negotiation" which plays such a large part in the pleading of some of his allies. They tell us that what we need

above all things is a means of forcing protectionist countries to reduce the tariffs they have set up against us. By putting on a duty on our imports of food, tobacco, and manufactured articles from Germany and the United States, they assure us, we shall compel them to reduce their duties on our exports of manufactures to them. Is this, then, or is it not, a part of the tariff creed? Mr. Law never mentions it; and, what is more, his doctrine negates it. On his plan, the trade of Britain with non-British States will tend to disappear. In order to let India send us a million or two more pounds worth of coffee, we are to stop our present purchases from the South and Central American Republics, which buy our manufactures, and we are thereby to discourage our present export trade with them. Assuming that the British public, further, can be induced by a tariff to smoke Indian instead of American and Turco-Egyptian tobacco,* thereby cutting off as far as possible our present trade with Egypt, South America, and the United States, we have the hopeful prospect of getting India to consume the goods we now send to those countries.

Meantime, ceasing to import the present three or four millions worth of manufactured and unmanufactured tobacco from the States, and ceasing further to buy any wheat thence, we should not merely have no "instrument of negotiation" wherewith to force down American tariffs: we should have ceased to harbour the

* Or are Egyptian cigarettes to get a preference as being produced within the "Imperial" sphere?

notion of trade in that quarter, save in so far as we might be unhappily compelled to import American cotton. Our preferences to our "Possessions" will set the States upon raising still higher their tariffs against us, and so with other non-British countries. The Big Englanders hold out to us the thrilling prospect of a watertight Empire in which the mother country sells to the "Possessions" and the "Possessions" sell to her, she doing thus more trade than ever, through the miraculous expansion of a colonial market representing a white population of ten or twelve millions, and an Indian market which is to consume hitherto unsought-for manufactures in return for hitherto (happily) unproduced tobacco, and for so much of an "infinite" quantity of wheat as is not furnished by two other "infinite" sources of supply.

It is not yet alleged that the British market for wool and wood is infinitely expansible; and, so far, Mr. Law is positive that there is to be no taxing of raw materials. "No one ever said so, and no one ever means to do anything of the kind" (page 11). This was said before the demonstration for a duty on imported hops; but the reprinting of the proposition seems to suggest that Mr. Law is still inflexible, as he doubtless will be in regard to granite. Seeing, then, that all the sentiment of the Big Englanders leaves them indisposed to buy more colonial goods than they can help, save on a basis of reciprocal preferential duties, the chances of immeasurable increase of trade with measurable colonies do not seem so great as to suggest that Australia and Canada

will not want to sell their wool and timber to other lands than the mother country. In that case they will find an extra tariff put up against them by those other countries in retaliation.

The Colonies will thus, like ourselves, pay a double price for preference if it should be established. Many countries, notably the United States, put a duty on wool, whether raw or at any stage of preparation; and many more tax imports of food. In all of these markets Australia and South Africa and Canada will be disadvantaged as regards their chief exports; and increased competition among them for the British market would, at times, tend there to lower the prices for some of their produce to their further disadvantage. The "infinite" power ascribed to us by Mr. Law of absorbing a rapidly and "vastly" increasing supply of wheat would undergo a painfully clear delimitation, and wool would be in the same case. Selling food or raw material to foreign Powers, whether at a disadvantage or not, the Colonies, by Mr. Law's own account, must take goods from those countries in exchange: unless, as an economist would prefer to put it, they take goods from other countries which buy from those, directly or indirectly. And as all the countries alike, in terms of the protectionist ideal, will be seeking to import raw material of some sort instead of manufactures, the Colonies will have a new motive to give the go-by to British manufactures.

Meanwhile the "instrument of negotiation" has slipped through our fingers; and we are left with higher

tariffs than ever against us; and a "broadened basis of taxation" which brings in no revenue.

§ 9.—Mr. Law's Theory of Prosperity.

If the relative strength of Mr. Law's various convictions is to be gathered from the frequency of their statement, he must attach a good deal of weight to his peculiar doctrine of British prosperity. It appears first in the speech at Manchester (page 25):—

"The prosperity in this country is based largely on the far greater prosperity of Germany and the United States, which has mitigated their competition in foreign markets and in our own market."

It recurs in the speech at the Hotel Cecil. After telling cheerfully how he has always realised that two conditions must exist before "tariff reform" can succeed, and that the "first of these conditions is a period of bad trade," Mr. Law proceeds (page 73):—

"We have had during the last few years, judging by volume, an unusually prosperous time in our oversea trade; but there are few people actually engaged in that trade who would not admit that our comparative prosperity has been largely due to the far greater prosperity in countries with a different fiscal system—in Germany and the United States—a prosperity which has mitigated the severity of their competition against us, both in neutral markets and in our own home market. These countries have had a period of prosperity which both in intensity and duration is altogether unparalleled. *It is now coming to an end.*"

And yet again does this incomparable theory meet us in the speech delivered at Aberdeen (page 102):—

“This [British] increase of trade, then, could only be an argument against our views if it could be shown that the increase had not been shared in, to at least as great an extent, by other countries with a different fiscal system. But everyone knows that, taking both the home and export trade into account, the prosperity of Germany and the United States has been infinitely greater than the prosperity with us, and, more than that, that a large part of our expansion is really due to the wonderful prosperity of those countries, which has lessened the severity of their competition with us both at home and abroad.”

Let us consider the economic theorem here set forth. Seeing that the recent period of prosperity of the United States and Germany is “now coming to an end,” that prosperity was admittedly not due to their fiscal system, which remains unchanged. They, then, get their prosperity from unknown causes, while we get ours from theirs. It would thus appear that while the prosperity of the States and Germany is a constant source of mortification to the genial adherents of the cause of Protection, it is really the sole basis of our own well-being. “Under free trade,” Mr. Law would doubtless reply. But then he has admitted that Protection cannot secure prosperity even to protectionist countries. Thus under free trade, according to Mr. Law, we really know where our prosperity comes from, whereas under Protection it would remain for ever a mystery.

Unfortunately, Mr. Law’s doctrine of derivative prosperity is even more absurd than the dilemma in which it places him. By his alternative accounts, the pros-

perity of Germany and the United States consists on the one hand in beating us, and on the other hand in not beating us. They prove their prosperity by competing with us—else where is the trouble?—and all the while they do not compete with us when they prosper. To this luminous theory, Mr. Law assures us, all men assent. “Everyone knows” that the facts are so; and “few people engaged in oversea trade” would refuse to admit them. It would be rash to assert that nobody engaged in trade is incapable of endorsing Mr. Law’s worst nonsense: the literature of tariffism warns us not to set theoretic limits to human folly. But it would be really interesting to know how many persons outside of Alice’s Wonderland, or Bedlam, would subscribe to Mr. Law’s doctrine that the more certain protectionist countries prosper the more we do, and that, *therefore*, when their prosperity declines, we are bound to turn protectionist!

Striving to get some meaning out of his thesis, one would ask why the protectionist countries in their day of inexplicable adversity do not simply resume their competition with us in neutral markets and in our own? Seeing that their ill-timed forbearance so fatally coincides with their collapse, why do they thus forbear? And if all they need to do is to take our trade away when they want it, why do they not take it and so remain prosperous? Nay, seeing that they have been “infinitely” more prosperous than we, how can such infinitude of prosperity cease?

Leaving Mr. Law in the infinite mists of his "philosophy," let us seek to discover the actual difference for which he is so loth to contemplate a finite measurement.

§ 10.—Concerning Percentages and the Infinite.

Happily, after soaring into the infinite, Mr. Law descends once to figures, being thereto provoked by Mr. Lloyd George, who asserted at the Colonial Conference that, despite their great natural resources,* we were beating the Americans "out of the field"† in the export of machinery and manufactured goods. Upon this Mr. Law thus comments (pages 103-104):—

"I have examined the figures. What do they show? Take machinery first. In 1890 the exports included under the heading of machinery from the United Kingdom amounted to 16 millions. In 1906 they had risen to 26 millions—an increase of 10 millions. In the case of the United States, in the first year their exports were 2 millions; in the last year they were 16 millions—an increase of between 13 and 14 millions. Take next manufactured goods. In 1895—and these are the years actually mentioned by Mr. Lloyd George himself—our exports of manufactured goods were 193 millions; in 1905 they had risen to 309 millions—an increase of 116 millions. In the case of the United States, in 1895 the exports were 38 millions, and in 1905 they had risen to 127 millions—an increase of 89 millions.

* Mr. George having named the natural gas at Pittsburg as one of these resources, Mr. Law represents him as recognising that only.

† Mr. George readily admitted that "out of the field" was a mere trope. Mr. Law quotes it, all the same, without mentioning the withdrawal.

An increase with us of 60 per cent., and with the United States of 234 per cent. And this is what Mr. Lloyd George calls beating the Americans out of the field!"

Then we have a correlative demonstration in regard to Germany (pages 104-105):—

"The real test of the expansion of industry in any country is the growth of its production—that is, *both the home and foreign trade* must be included. Before, therefore, we can judge of the importance of the exports of manufactures, we must also take into account the imports of manufactures, and *give the net exports*; that is, *the exports after the imports have been deducted*. Last year I moved in the House of Commons for a trade return giving the figures made out on this basis. The return has now been published, and I shall give you the result. In the average of the five years ending 1886 our net exports of manufactures were 136 millions; in the average of the five years ending in 1906 our net exports were 138 millions. In the case of Germany, in the first period their net exports were 51 millions; in the second period they had risen to 113 millions—an increase, not of 2 millions as with us, but of 62 millions. Now, in the face of these figures, is there anyone who can doubt that the trade expansion of Germany is going on at an *infinitely* more rapid rate than with us?"

Thus is the infinite measured in percentages. Upon Mr. Law's principles, if Greece were in ten years to increase her exports of manufactured goods from, say, £10,000 to £60,000, an increase of 500 per cent, she would be as "infinitely" more prosperous than the United States as they are than we. In Mr. Law's processes of comparison, absolute quantities matter nothing, and population less. The United States have twice our population, and perhaps a hundred times our

store of coal and iron; but in Mr. Law's infinite arithmetic such comparisons are irrelevant. So with Germany, whose immensely increased capacity to produce by modern methods workable iron out of abundant but once unworkable ore is a main cause of her rapid industrial expansion. That she has also sixty millions of population to our forty, and still produces, as Mr. Law would say, "infinitely" less manufactures per head for export, are considerations extraneous to his economics.

But he is not content with excluding half the relevant factors. To make out the infinity of Germany's rate of percentage increase he has recourse, not to the real figures of our and her exports, but to what he terms "net" exports—a conception which has only to be analysed to reveal its delusiveness. By net exports Mr. Law means the excess of exports of manufactures so-called over imports of manufactures so-called. That is to say, he treats all imports of manufactured goods as so much deduction from the value of our foreign trade. If only the whole of the imports in question had been habitually destroyed on landing, our prosperity, by Mr. Law's tests, would have been "infinitely" greater than that of Germany!

Not only does Mr. Law thus get at the measure of our prosperity: he contrives at the same time to make his sum in subtraction the measure of the home trade. "Both the home and foreign trade," he lucidly explains, "must be included," if we are to know our total industrial condition. And, there being no statistics of home

trade, save such as would be very indocile to Mr. Law's purposes, he professes to obtain such a statistic by deducting the annual value of manufactured imports from that of manufactured exports. Of the amount of the home trade he has not given the shadow of an indication. It is quite the funniest thing in the tariffist propaganda.

The reader has already divined, doubtless, that the whole secret of Germany's well-being, in tariffist philosophy, lies in the former smallness of her imports of manufactured goods. In 1882 they were 42·7 millions sterling; in 1894 only 41·1 millions; and the highest figure in the intervening years was 48·8 millions. So dazzling was her prosperity. In the same period the British import of manufactured goods (including metals not found in Britain) increased by seventeen millions, to our obvious loss and impoverishment. But, strange to say, by the very tests of Mr. Law and the Mad Hatter, happy Germany in recent years is going to wreck and ruin, though Mr. Law does not mention it. In the years 1902-6 British imports of manufactured goods increased only from 117·2 millions to 131·9, or twelve per cent; while German imports of such goods increased, by the German account, from 54·2 millions to 82·3 millions, or fifty per cent. And in the same period the *excess* of British manufactured exports over manufactured imports increased by nearly sixty-five millions (fifty-seven per cent), as against only thirty-six millions (thirty-seven per cent) in the case of Germany. Thus the infinities, in the matter of percentage increase of imported manufactures,

are finally going the wrong way for Mr. Law's theory. And with his customary candour he ignores the fact in his speeches.

To turn from figures to ideas, let the reader in this connection finally realise the full implication of the doctrine of percentages which does so much work on the tariffist platform. The proposition is, in brief, that if Britain does not increase not merely her export of manufactured goods but the excess of export over import of goods so described, at a more rapid rate per cent than countries with fifty or a hundred per cent more population and far greater resources in iron and (in one case) in coal, she is more or less "infinitely" behind them in prosperity. Anyone who can realise in thought what this proposition means is warranted not a Tariff Reformer, for the notion it carries is the very negation of common sense. It is as if a man of middle age were told that unless he increases his income more rapidly than a youth in passing from the wage of an apprentice to that of a journeyman, he is "infinitely" less prosperous than the youth. That the country of forty millions, with an industrial system of long standing, and an area relatively very small even in proportion to her population, should *expand* her total manufacturing output more rapidly than far larger countries of sixty and eighty millions respectively, is simply impossible; and those who demand such a rate of expansion merely give us the measure of their incompetence.

Let it be noted, finally, how, in Mr. Law's doctrine of prosperity, nothing is said of any protectionist coun-

try save the two which exceed us alike in population and iron supply. If there be any virtue in Protection (and though Mr. Law in one breath says there is not, in the next he maintains that there is), it should appear in the prosperity of France, Spain, Italy, Russia, Austria, Norway, and Sweden, no less than in that of the two countries to which our protectionists restrict their vision. But concerning these other countries, in the terms of the case, we hear from them nothing. The cause of Protection is arguable in terms only of selected instances, misstated causation, cooked balance-sheets, and irrational formulas.

There remains, of course, the resources of simple fiction and muscular misrepresentation. To one or two of Mr. Law's performances with these instruments attention should be directed before we take leave of him.

§ II.—Some of Mr. Law's Assertions.

In examining Mr. Law's theories, we have incidentally noted the character of some of his statements in terms of figures. It may be found interesting to carry our scrutiny on the latter score a little further. The converts made to "Tariff Reform" seem, in a number of cases, to be the victims of mere falsification of statistics; and some of Mr. Law's statistics are entirely worthy of the great movement set up by Mr. Chamberlain.

In the great Manchester speech, for instance, we have the allegation (page 39) that "in spite of the immense expansion during the last twenty years of the total trade

of the great protected countries, our exports of manufactures to those countries have been absolutely stationary, and the total last year was no greater than the total fifteen years ago."

Let us see what are the facts. In the year 1892 the *total* of British exports to Germany was 17·5 millions sterling; in 1907 it was 41·8 millions. According to Mr. Law, the whole difference is a matter of exports of raw material. Of what raw materials, then, do we export to Germany such enormous quantities? The article of whose export Mr. Law most complains is coal; and of that our total export to Germany in 1907, the record year, was 5·4 millions. The next largest article of export, apart from manufactures, is herrings; and even of this the total amount exported in 1907 was only 2·3 millions. Wherein then has been the expansion of twenty-four millions in the value of British exports to Germany between 1892 and 1907? A glance at the statistical blue-books make it clear. It has been mainly in manufactured articles. Mr. Law has grossly misstated the case. In the years 1902-7, for instance, there has been an expansion amounting to nine millions sterling in our exports of the leading manufactured articles, distributed as follows, in round numbers:—

Machinery and engines	...	...	...	£1,000,000
Iron	...	...	...	1,800,000
Other metals	...	...	...	450,000
Ships	...	...	...	500,000
Cotton yarns	...	...	...	1,450,000

Other cotton manufactures	...	...	£680,000
Woollen and worsted manufactures	...	...	675,000
Woollen and worsted yarns	...	...	1,625,000
Other yarns	...	...	873,000
			£9,053,000

That is to say, the *increase* in the export to Germany in those nine categories in five years is more than fifty per cent of the *total* export of British produce to Germany in 1892, taking the values of that year to be equal with those of to-day. In reality they were higher, so that the total expansion of trade is greater than the money figures show. For the same reason the total export trade of Britain with France, which shows an increase of six millions in the period under notice, is larger in quantity than these figures indicate. In the case of the United States alone are the value figures substantially the same as they were about 1902; and there, too, there has been increase in quantity. But, on the other hand, the total exports of the United States to their "rivals" in the years 1900 to 1905 have shown a falling-off (in terms of values) in the cases alike of Holland, Belgium, Germany, Britain and France. In the latter two cases, in fact, they were lower in 1905 than in 1898. American exports, in short, expand chiefly in the direction of Canada, Cuba, Chile, Peru, China, Japan, and Argentina, all industrially backward countries. This is precisely the state of things which our tariffists profess to deplore in the case of Britain. All the while, American exports remain stationary in the direction of Brazil.

So much for Mr. Law's veracity in a matter of trade figures. We may next test him by a proposition in which he discreetly omits to offer figures. It was in his speech at Aberdeen that he alleged (page 107) that unemployment "is with us always, and with us to a greater degree even in times of good trade than in Germany even in times of bad trade." This proposition he undertakes to prove by repeating the current assertion of his party as to the unemployment in Berlin in the past winter. He takes the line of affirming that the Socialists first put the figure at 60,000, and that the German Unemployment Bureau reduced them to 30,000. This is only one more perversion. Whereas the Bureau gave 30,000 as the figures for Berlin, the Socialist investigators concluded that if these figures were accurate for the city, another 30,000 should be added for the suburbs. And now for the inferences. Says Mr. Law (page 108):—

"If you take the *whole adult male population of Berlin*, this 30,000 means an unemployed percentage of somewhere about 4 per cent—that is, two per cent less than the *unemployed amongst trade unionists now in this country.*"

It is impossible to suppose that Mr. Law realised the nature of his reasoning in this preposterous passage. In the first place he puts the adult male population of Berlin at 750,000—that being the number of which four per cent is 30,000. But the total population of Berlin is slightly over 2,000,000; and if there were 750,000 adult men and the same number of women, there would be left only 500,000 children. Such assumptions are highly suitable to Tariff Reform exposition; but minds not yet

closed to common sense must decline to grant them. If we more rationally put the number of adult males in Berlin at one in four of the population, we get the number of 500,000, of which 30,000 is six per cent. And if we take the 60,000 figure for Greater Berlin, with its population of three millions, we get 750,000 adult males, of which 60,000 is eight per cent.

But that, after all, is a small matter. The gross absurdity of Mr. Law's argument lies in his giving the percentage of the Berlin unemployed to the (falsified) adult male population, and then comparing it with the percentage of unemployed to trade unionists in this country. The number of trade unionists from whom our total statistic is taken is some 600,000 for the whole country. Six per cent of these is 36,000 *for the United Kingdom*. As we do not know how many of the Berlin unemployed were trade unionists, or how many unionists there are in Berlin, or how many unemployed there were in any English town at the same period, no exact statistical comparison for the two countries is possible. But we do know that, by the last census, the number of *male persons* in Berlin engaged in trades and industries as wage-earners was a little over 300,000; while the number of males in factories and workshops under inspection in 1906 was a little over 200,000. Now, it is practically certain that not even the 200,000 are all trade unionists, and that many of them are not adults. Yet, taking the proportion of unemployed to each number, we get the two percentages, 10 and 15. The Berlin

depression of January was, in fact, lamentable, and the attempt to reduce it to insignificance is characteristic of tariff propaganda.

The later figures of trade union unemployment in Germany notoriously do not tell how far *work* has fallen off. The immense unemployment brought upon Germany by her resort to Protection in 1879 forced the creation of many labour colonies and other institutions for dealing with the evil, which we might do well to copy. The widespread habit of working short time and taking low wages in bad times, further disguises, on the statistical side, the extent of German industrial depression. But on September 20th, 1908, we read, in the *Berliner Tageblatt*, that, in the Köln region, "the iron-stone mines still work at a 50 per cent reduction of output, and this seems likely to last till the end of the year." No figures can here conceal the continuance of *lack of work*.

Concerning the German statistics of unemployment, it has been conclusively shown, in the recent Yellow Book on the cost of living in German towns, that they yield a less full measure of evidence as to unemployment than do those published for Britain through the *Board of Trade Gazette*. Even since the German authorities have sought to give the number of benefited as well as non-benefited cases of unemployment, the figures are openly incomplete. On the other hand, some large unions, like the German miners, with 111,000 members, give practically no unemployment returns; and the building trades,

which in Germany as elsewhere suffer much from unemployment, give none; while, on the other hand, trades which always suffer least from unemployment give them, and thus reduce the percentage figures.

But if we take separate trades, we get at some of the facts which the figures of our tariffists conceal. At June 27th, 1908, for instance, there were 6·5 unemployed in the printers' union, numbering some 52,000 men; and of the union of woodworkers, with 150,000 men, there were 4·5 idle. At the end of 1907 the percentage in this union was 5·7, after being only 1·9 three months earlier. Among the Berlin saddlers, at the end of the year, it had risen from 2·7 to 6·0; among the upholsterers from 4·0 to 9·8; among a union of 4,600 glaziers, with its centre at Karlsruhe, from 4·0 to 9·4; and in a union of 3,500 glovemakers it had risen from 2·7 at the end of March to 14·4 at the end of the year, after having been below one per cent throughout 1906. Among a baker's union of 14,500 members, centred at Hamburg, the mean for the year was 6·2; among the barbers' assistants, 13·8. From the builders, as already noted, *no figures whatever are forthcoming*; but among the stonemasons, whose total number of members fell during the year from 4,822 to 4,320, the unemployment rose from 11·9 at the end of March to 18·8 at the end of December. Let practical men judge between these facts and the tariffist figures.

All the while, be it observed, Mr. Law is silent as to the unemployment in France, where the unemployment among 200,000 trade unionists in October, 1907, was

8·0 per cent., as against 6·5 in the preceding month, and 7·5 in October, 1906; and where in 1908 it is still higher. And, needless to add, he has not a word to say on the immense unemployment in the United States, where, of some 360,000 trade unionists, over 25 per cent. were unemployed through the whole first quarter of the present year. Such facts are, of necessity, ignored by tariffists.

Another instance of Mr. Law's propagandist method is his allegation (page 131) that "more than any other people we are the victims of trusts"—an assertion backed solely by the statement that the American Beef Trust cables to London every day the price for its beef, and so "exact every farthing which it is possible to screw from our people." Of course it does, whether or not it cables its prices daily. Does Mr. Law know any agency which sells beef for less than it can get? What he does know, if he has any knowledge whatever on the subject, is the falsity of his own assertion that the "only check on the price now is the competition of the home production." It is certainly not true. The price is held in check by the whole import from countries uncontrolled by the American Beef Trust. The present high price of beef is due to an actual shortage of supply relatively to demand; and in the United States this causes a rise in prices against which consumers there are clamouring. They see foreign supplies virtually excluded. And Mr. Law would have us believe that we, free to search the world for supplies, are

“victims” of the trust in the superlative degree. The pretence is of a piece with his whole economic argumentation.

§ 12.—Mr. Law’s Admissions.

Special note, however, should be taken of two memorable admissions by Mr. Law in connection with the subject of unemployment. It is upon this side that the “cause” makes its most popular appeal, and its leaders, being well aware that to enable the private interest of a party of manufacturers to triumph over the public interest there is needed a popular state of mind in which common sense is not uppermost, take means to that end. The habitual handling of the question of American and German unemployment by Mr. Law and his colleagues is the standing measure of their political morality. Mr. Law, it is true, for once stands out from the rest by squarely admitting (page 24) that “a period of good trade is *invariably* followed by a period of bad trade”—invariably that is, in protectionist countries no less than in Britain. It is significant of the pass to which tariffist propaganda has come that it should be really noteworthy to find a tariffist conceding even a truism when it hampers his polemics. A period of good trade, obviously, can be distinguished as such only through being preceded and followed by periods of not-good trade. But it is only momentarily that Mr. Law will consent to recognise this elementary truth; and on the very page on which he verbally avows it, he propounds his amiable faith that “what the Irish famine did for Cobden

and Bright the first serious period of bad trade will do for us."

Note the bearing of this philanthropic formula. Mr. Law is admittedly aware that bad trade has followed upon good in every other country. Yet he and his accomplices are going to pretend to the British workman that bad trade in Britain is due to free trade, saying nothing of the far worse unemployment in the protectionist countries; and they confessedly count upon carrying their point in politics through the votes of distressed men desperately bent on trying any medicine that may be offered them. "Sick men will try quack remedies if no other promises instant relief: we shall offer ours to the sick nation, which will consent to make us its physicians." Such is the congenial ethic of our Large Englander.

§ 13.—Mr. Law on Patents.

It would be inexcusable to take leave of Mr. Law without contemplating his handling of a theme which he has made all his own—the provision of Mr. Lloyd George's Patents Act as to the working in Britain of British patents held abroad. It is true that the entire tariffist party has lavished upon this theme the resources of its economic incompetence, giving currency throughout its ranks to the doctrine that the Act in question is an application of protectionist principles. In view of the common run of tariffist reasoning there is no reason to doubt that the absurdity is really be-

lieved. But Mr. Law has brought his original faculty to bear upon the theme; and the result is this argument (pages 88-89):—

“Mr. Lloyd George boasted the other day, and boasted with justice, that the effect of this Bill is already manifest, that many foreigners are now putting down works in this country, and are thus preparing to give employment to British and not to foreign workmen. If that is desirable in the case of patented articles, is it not equally desirable in the case of other manufactured goods? What is the distinction? There is not an argument from what is called the Free Trade side which can be used in the one case which would not apply with equal force in the other. If the articles can be produced to the best advantage in this country, the foreign manufacturer would without any compulsion produce them there. If they can be produced to better advantage abroad, then why compel him to produce them here? Would we not—you know the beautiful theory—would we not pay for these goods by something that can be produced to better advantage in this country, and would we not, therefore, be gainers by having them still produced abroad? I defy anyone to produce an argument from the Free Trade point of view in support of this Bill which will stand a moment’s examination.”

There is small risk in taking up Mr. Law’s gage on any question of economics. In this argument he has contrived, with even more than his usual success, to destroy his own case. The articles now made abroad under a patent, he contends, are there produced to the best advantage, since otherwise they would be produced here. Then why, in the name of reason, need the foreign patentee come here at all, unless it be to secure his monopoly price? If he can make the article abroad

at less cost than it can be made here, he needs no patent to enable him to undersell a British competitor who copies his process. He remains free to send his product hither. Mr. Law lately told the House of Commons that a German patentee of his acquaintance is now being forced to produce his goods in this country, under disadvantageous conditions, and that the result will be a higher price for the article. That is to say, the German patentee in the past was selling his monopoly product here for a lower price than he could have got for asking!

If Mr. Law replies that the patentee in question was in the habit of selling his product here at a simple percentage over cost, the answer is, once more, that he can continue to do so and make his profit without bringing his works hither. If he has an actual economic advantage for the manufacture at home, no competitor here can undersell him, patent or no patent, and our market remains open to him.

Mr. Law's foreign patentee, driven to produce here at higher cost and sell at a higher price, is simply one more economic myth. He sold before at what he could get, and he will do so still. And what the new Patents Act does in his case is simply to force him to bear part of the burden of British taxation in producing his article at the same price to us as before. When Mr. Law puts his jeering question, "Would we not pay for these goods by something which can be produced to *better advantage* in this country?" he is importing into his argument his own absurd assumption; and, of course, he dare not press

the rest of the free trade argument for what it is worth. It is perfectly true, though he dare not say it, that for the goods formerly manufactured abroad by the foreign patentee and imported by us, there were formerly exported British goods in payment; and that if in future the foreign patentee manufactures in this country our exports will be *pro tanto* reduced. But that is no discouragement to the free-trader, who does not, like the tariffist, make exports the measure of our national well-being. He is perfectly satisfied if the same volume of trade is done at home.

The difference between the positions of the free-trader and the protectionist in this matter, imperceptible though it be to the latter, is vital. When the tariffist proposes to lay a duty on imported goods in order to secure that such goods shall be made in this country instead of being imported, the free-trader answers that, in the terms of the case, the goods in question will be made here at a greater cost in capital and labour. If not, there is no need for an import duty. Being produced at a greater cost, and sold, under the duty, at a higher price, they restrict consumption, and so employ less labour and capital than might be employed in producing something else wherewith to pay for the article more advantageously produced abroad. Protection to manufactures, in short, necessarily *raises prices*, whereas the effect of the Patents Act will be to create employment *without* raising prices.

Instead of being a measure of Protection, the Patents Act is an express curtailment of Protection in so far as

it ever enables a British producer to copy a patented article. Every patent is in itself a measure of Protection. It is a restraint of trade granted for the express purpose of encouraging invention; and though there is no present prospect of superseding it with a better system, it is open to criticism on the ground indicated. Only the belief that the restraint makes ultimately for more abundant production can justify it. But it is no part of the economic argument for patents to maintain that any State does well to protect the inventions of the inhabitants of other States. Those other States give as much protection as is necessary to encourage invention, which is all that the theory requires. To give patent rights to a foreigner manufacturing abroad is to proceed on a non-economic theory—the theory that every inventor has a moral right to a patent in his invention. That position is really untenable, for it can never be proved that a given invention could not be independently made by another inventor: it is, in fact, notorious that multitudes of machines and processes are independently invented many times over.

To restrict the invention of a patent, then, to persons who exercise it in the State granting the patent, is to make a just and expedient restriction of the Protection which it confers. If the result is that a foreigner's patent lapses in this country, and can be copied freely by any producer here, there has been an expansion of free trade to that extent. The copiers of the patent must sell it at least as cheaply as before,

because the foreign producer remains free to send us his product, at a lowered price if he pleases; and as he had been a monopolist in the past, the presumption is that he can afford to sell at a lower price. If, on the other hand, he henceforth sets up plant to produce the article in this country, he is promoting industry here without causing any drawback, for, in the nature of the case, he always charged as much as the trade would bear, and he now sells no dearer.

It may be, indeed, that the particular manufactures which formerly went to pay for the patented articles formerly imported will not be in demand among those artisans and others now employed here by the patentee; but their employment is in any case to be set against the loss of the other, and so far as they *do* demand the other manufactures in question, there has been a total expansion of industry. There has been, in short, *no waste of productive power*, and no new or gratuitous enrichment of any capitalist. The whole tendency of Protection, on the contrary, is to the gratuitous enrichment of landlords in general and the protected manufacturers in particular, with waste of productive power as a certain accompaniment. And it is to this cause that Mr. Law plays the prophet, in the fashion hereinbefore set forth.

