

tax on native industry. All members of a community, whether under Free Trade or Protection, are subject to the general taxation deemed necessary to defray the Government expenditure, and they are liable to exactly the same burdens under both systems. This we think clear and incontrovertible. Now, on the other hand, Free Trade greatly assists and fosters native industry by supplying it with all the foreign materials which it needs to work with, or to work upon, at the cheapest possible cost, and unburdened by any import duties whatever. It at the same time lessens the cost of living, and increases the comforts obtainable for the same expenditure.

It is hardly possible to over-estimate the enormous advantages which this cheapness confers on, or the strong stimulus which it affords to, native industries. The cheap products of such industries will, of course, find a vent in all neutral markets, since the dear products of protected countries cannot possibly compete with them. Where the materials on which productive industry is exercised are enhanced in cost by protective import duties, it is impossible that the product should not be enhanced in cost in the same proportion. But the cheapness arising from untaxed materials not only fosters a demand from abroad, but also lessens the cost to the native consumers, and the benefit is thus twofold. It is, therefore, abundantly clear that native industry is largely promoted and developed by having, as a consequence of Free Trade, cheap untaxed materials to work with and to work upon. If the United

States had had cheap untaxed iron, they would not have lost their valuable share of the ocean-carrying trade.

We must apologise for devoting so much time to the refutation of a fallacy so easy to refute; but this we thought necessary from the frequency of the allegation, and from the number of honest-minded men who, not having a ready answer, have been mystified by it. To sum up, the truth is that FREE TRADE TAXES NO INDUSTRY, WHETHER NATIVE OR FOREIGN; BUT, AMONG OTHER ADVANTAGES, IT GREATLY FOSTERS NATIVE INDUSTRY, BY AFFORDING IT CHEAP, UNTAXED MATERIALS WHEREWITH AND WHEREON TO WORK, AND BY ALLOWING IT TO FLOW IN ITS NATURAL AND MOST PROFITABLE CHANNELS.

CHAPTER XVI.

8. Wages highest where most Wealth is Created. 9. Protection frustrates Division of Labour. 10. If Protected Nations prosper, it is in spite of, not because of, Protection.

8. *If the labour-seller in protected countries pays more for what he consumes, on the other hand his wages are proportionately higher.* It does not at all follow. The present average rate of wages in Free Trade England, now that everything is cheap, is at least 50 per cent. higher than it was formerly in protected England, when everything was dear. Indeed, if the statement that heads this paragraph be correct, how comes it that our Protectionist

friends so persistently warn us that we are being, or are going to be, undersold by our foreign competitors in consequence of the lower rate of wages and the longer hours of labour that prevail abroad? How is it that they so loudly call on Government to protect the British workman by import duties, to prevent him from being reduced to the low wages and long hours of his protected continental fellow-workmen? Here is surely a curious contradiction. Wages in protected countries cannot be at the same time higher and lower than they are here. If higher, what need is there to protect the British labour-seller against his higher-paid foreign competitor? If lower, then Protection in foreign countries, while it enhances the cost of living, does not enhance the rate of wages. How are these utter discordances to be resolved? This is how it is done. Division of labour is resorted to. One set of the Protectionist party uses statement No. 1, and another set uses statement No. 2. There is the "higher wages abroad" division and the "lower wages abroad" division. If the one fails to convince you, you are handed over to the other, who proceeds on a diametrically opposite tack; and it will go hard if, between the two, you can help being, if not convinced, at least mystified.

The fact is that the money rate of wages does not depend (except when it is at the famine level) on the cost of living, but on the relative demand for, and supply of, labour. Wages are higher than with us in protected America, and lower than with us in the protected continental States of Europe.

It is where there is abundance of cheap capital, as in England, or abundance of cheap land, as in America and Australia, that there will be the greatest demand, and consequently the highest remuneration, for labour. Capital is the fund out of which the wages of labour are paid, and the larger that fund, compared with the number of labour-sellers, the higher will be the rate of wages. The increase of that fund depends on increased production, and there are no more powerful agencies in the production of wealth than free commercial intercourse, general and international division of labour, and such an application of capital and labour as will produce a *maximum* result. To sum up, the truth is that WAGES ARE NOT REGULATED (EXCEPT AT STARVATION POINT) BY THE COST OF LIVING, BUT BY THE GREATER OR LESSER DEMAND FOR LABOUR, WHICH IS GREATEST WHERE WEALTH IS MOST RAPIDLY CREATED.

9. *Protection promotes diversity of industries in the protected country.* So much the worse. It is a matter of regret, not of boast. The greater the diversity of industries in a given locality, the less scope there is for division of labour. This fertilising and wealth-creating principle is crippled in proportion to the smallness of its sphere of operations. By whatever it is short of being international and world-pervading, by so much is its efficacy impaired. It is merely sectional and intra-national in those countries where great diversification of industries prevails. Nowhere does the diversity of industries exist in a higher degree than among the Pitcairn islanders, unless it might have

been among the country people of the olden times, when each family raised its own food and spun its own garments.

No doubt Protection does promote sectional diversity of industries, since it discourages commercial interchanges between nation and nation. If it were possible for each country to have within itself such a diversity or universality of industries as that all its wants could be supplied by native capital and labour, there would at once be an end to all foreign commerce; for as all countries would have their needs supplied out of their own resources and exertions, no one of them would take anything from the other, and, of course, no one of them would raise or produce anything beyond its own wants, since there would be no outlet for such surplus. The more perfect the system of self-sufficing diversity of industries, the more complete would be the isolation. It has not been the fault of man's fiscal enactments that this complete isolation is not attained; it has been the fault of nature's laws. Not only does each nation want something which other countries can, but which itself cannot, produce, but each nation has through its aptitudes, natural or acquired, certain surplus productions for which it desires to find a vent, and for which it must—positively and inevitably must—take in exchange the products of other nations.

Suppose, for instance, a country A, blest with a fertile soil, with a genial climate, and with land, abundant and cheap, cultivated by an energetic and industrious race of men; the result will be the production of agricultural commodities far in excess

of the requirements of that country itself. If for that surplus produce the producers find a vent in the other countries of the world, they will have to take in payment for it the world's commodities of other kinds; for there is no other mode of payment. But if country A, in its determination to be self-sufficing, were totally to prohibit the admission of any foreign goods whatever, its surplus of food productions could not be sent abroad at all, since nothing foreign was admitted in exchange for it. Its vent would be confined to the home demand, and the production would have to be cut down to the limit of that demand. The diversity of industries fostered by the self-sufficing system would exercise a blighting and fatal influence on the great staple industry of that country.

If this diversity of industries is promoted by Protection, it would be still far more completely promoted by total prohibition. Indeed, it would be yet farther promoted by cutting up the country into small districts, each to supply its own wants by its own industries. In this case, each little community would have its occupations diversified to the fullest extent, and the division of labour would be effectively impeded. The antagonism between the diversification of industries and the division of labour may be exemplified thus:—If 3,000 men be set to produce pins, needles, and thread, the former system diversifies the industries by setting each man to produce as many pins, as many needles, and as much thread as he can, by his separate and individual efforts, produce in a given time; whereas the division of labour sets 1,000 of these men con-

jointly to produce nothing but pins, 1,000 to produce nothing but needles, and the remaining 1,000 to produce nothing but thread. By which of these two processes will the greatest quantity of pins, needles, and thread be produced within that given time? Can any one doubt the result? Will it not be 100,000 to 1 in favour of the latter? If the greatest possible diversification of industries be right, then the division of labour must be a mistake, and we must go back to the good old times when each family combined within itself a diversity of industries, raised its own food, spun its own clothes, and reared its own hovel.

Under a system of perfect freedom of commercial intercourse between country and country there would be such a distribution of industries as was consonant with the aptitudes, natural or incidental, peculiar to each country, and on these the productive energies of each country would be concentrated. The total productiveness of each would be enormously greater, although there would be a smaller diversity in the species of articles produced.

Nature says, "Devote your efforts to producing abundantly those things which you can produce best." Protection says, "Produce a little of everything, whether they be things which you are most fitted, or things that you are least fitted, to produce and promptly adopt those industries from duce." Left to themselves, capital and labour easily which they derive the most productive results, and the diversity of industries which they thus naturally attain furnishes them with ample remunerative employment. On the other hand, Protection diverts

them, to a greater or lesser extent, from that profitable employment, to other industries which can only flourish by the imposition of a tax on the community at large; and to that extent, while the diversity of industries is enlarged, the wealth of the country is diminished. All diversification of industries which goes beyond its natural boundary, and which, instead of being the result of the regular course of things, is artificially extended by State ordinances, is an encroachment on the division of labour, and therefore an evil. To sum up, the truth is that PROTECTION FRUSTRATES THE DIVISION OF LABOUR BY ARTIFICIALLY LOCALISING THE GREATEST POSSIBLE DIVERSITY OF INDUSTRIES WITHIN LIMITED AREAS, WITHOUT REGARD TO THEIR NATURAL DISTRIBUTION.

10. *Some protected nations are prosperous, therefore Protection is a benefit.* In this sentence, the word "therefore" is entirely out of place. It involves a *non sequitur*. It might just as well be said that whereas some ignorant persons are clever, therefore ignorance is a benefit. We hold, on the contrary, that those protected nations which are prosperous are prosperous not because of, but in spite of, Protection—just as we hold that the ignorant persons who are clever, are clever not because of, but in spite of, their ignorance. No doubt, protected nations may and do attain a certain degree of prosperity in spite of Protection, for its evil influence only stunts without destroying their productive power. What we contend is, that they would be far more prosperous if they adopted Free Trade. We have never said that protected nations

accumulate no wealth, but simply that they would accumulate it much faster if they abandoned the protective system. If a property being badly managed yields an income of £1,000 per annum, whereas under good management it would yield £1,500, it does not follow that the owner is utterly ruined by his bad management, but it does follow that, through it, his income is £500 per annum less than it might be. Neither does it follow that, because a badly-managed property yields a comfortable income, "therefore bad management is a benefit." The owner is prosperous not because of, but in spite of, his bad management. By adopting a better system, he might add 50 per cent. to his income.

The mere fact of a nation's comparative prosperity is surely no bar to improvements that may render that nation more prosperous still. It will be time enough to scout improvements and arrest progress, when we have reached (if ever we shall reach) the extreme limits of human perfectibility. Till then it is irrational to say, "We are prospering, and we therefore decline entertaining any scheme for the increase of our prosperity." To allege that the Free Trade scheme will not conduce to such increase of prosperity, affords a fair and legitimate subject for discussion. We contend that it will, and have adduced our reasons for coming to that conclusion. But to contend that Free Trade is an evil merely because a certain amount of prosperity has attended the opposite system, is an obviously inconclusive inference, since it does not exclude the probability that a much greater amount of prosperity

might have attended the Free Trade system; in which case, Free Trade would have been a benefit. No argument against Free Trade is deducible from such a style of reasoning. Nations progressed at a certain rate before the application of steam to locomotion by sea or land, but after that improvement the rate of their progress was greatly accelerated. So do we say that nations may prosper to a certain extent before the application of Free Trade to their international relations, but that when so applied that prosperity will increase in a greatly accelerated ratio.

The Protectionist proposition is a mere statement of opinion, unaccompanied by any proof, and therefore our contradiction of it must partake of similar vagueness. The truth or fallacy of either opinion must be reasoned out on other grounds. Indeed, the issues raised have been fully discussed by us in other shapes. Mere assertion can only be met by counter-assertion, and therefore, to sum up, the truth is that SOME PROTECTED NATIONS ARE PROSPEROUS; BUT THEY WOULD BE FAR MORE PROSPEROUS STILL UNDER FREE TRADE; THEREFORE PROTECTION IS AN EVIL.

CHAPTER XVII.

11. As to dependence on foreigners—12. Free Trade a boon to a nation, whether others adopt it or not—13. As knowledge spreads so will Free Trade.

11. *Protection renders a country independent of foreigners.* This is only another form of that principle of isolation which, if fully carried out,