THE object of the present volume is to supply a detailed answer to the question whether British industries have or have not flourished under Free Trade. The volume is necessarily limited in size, and the time allowed for its preparation was not long. It has therefore been impossible to deal with all the industries that might well have been here represented. But the ground covered is sufficiently wide to give an indication of our national industry as a whole, and special care has been taken to include those industries which are often pointed to by Protectionists as awful examples of the policy of free imports. The writers of the following essays are not pedants who are content to mutter exploded shibboleths. They are practical business men, writing of things that they know of their personal knowledge. They are concerned, not with the events of 1846, nor even with the prophecies of Cobden, but with the actual business needs of
to-day. Thus incidentally an answer is furnished to the parrot cry that "conditions have changed since 1846." Of course conditions have changed. It would be strange indeed if fifty years of intense industrial, scientific, and commercial activity had produced no change in the world. But what Protectionists have to prove is that the obvious and wonderful changes in the condition of the world have rendered less valid the arguments upon which the case for Free Trade is based. Those arguments were not the invention of the year 1846, nor even of that great Englishman whose name will always be identified with the repeal of the Corn Laws. Exactly the same principles were expounded by Adam Smith in 1776. They were accepted by Pitt, who, but for the Great War, would probably have succeeded in giving effect to them. They were revived again in the famous Merchants' Petition of 1820, and adopted by Huskisson as the basis of the reforms which he carried out in 1823 and subsequent years. They were boldly proclaimed by Peel in 1842, in 1846, and in 1849. They were emphatically endorsed by the House of Lords, **nemine contradicente**, in 1852. They were acted upon by Gladstone in 1853 and in 1860; by Sir Robert Lowe in 1869; by Sir Stafford Northcote in 1874. They were brilliantly defended by a Radical demagogue in 1885, and soberly justified by a Tory Chancellor of the Exchequer in 1897. They

1 Mr. Joseph Chamberlain. 2 Sir Michael Hicks Beach.
continued to command at any rate the lip reverence of every English statesman down to the spring of 1903. It is therefore not to the year 1846 that the Protectionists need trouble to hark back; it will suffice if they will deal with the year 1902, and explain how the principles which they then avowed became entirely false six months later.

What then are the principles which Adam Smith taught, and which England some fifty years later began cautiously to practice, and then after a fierce political struggle finally adopted? The main principle, so far as the present controversy is concerned, is this: That it is impossible to add to the wealth of a nation by preventing the free importation of foreign goods. This proposition would be self-evident but for the fact that the use of money blinds the average man to the realities of trade. If trade were in appearance, what it is in reality, an exchange of goods for goods, nobody would be so insane as to question the advantage to a nation of freely receiving all the good things that other nations can be induced to send it. But trade has for many centuries in all civilised countries presented the appearance of an exchange of goods against money, and the average man forgets that money is merely a go-between; nor does he perceive that the exchange of goods for money is only half of a transaction which must subsequently be completed by the exchange of money for goods. To realise this essential charac-
teristic of money it is only necessary to try and imagine what would happen if the persons who sold goods were content to keep the money they receive. It is clear that as soon as they had sold all their existing stock they would get no more money, and meanwhile they would be naked and starving amid a pile of useless pieces of metal.

It seems almost infantile to have to remind the reader of these obvious considerations, but such a reminder is not altogether unnecessary when even Cabinet ministers show their ignorance of the real nature of trade. Whatever be the mechanism of trade, whether it be the simple barter of the primitive savage, or whether it be conducted with coins of copper or of silver or of gold, or with bank-notes, or with cheques, or with bills of exchange, under all these conditions trade in its essence always has been, and always must be, an exchange of goods for goods, of one good thing for another good thing. Furthermore, trade is always conducted between individuals.\(^1\) Strictly speaking, there is no such thing as trade between nations. The individual Englishman trades with the individual Frenchman, the Frenchman with a Chinaman, the Chinaman with a Yankee, the Yankee with a Canadian, the Canadian with a Scot, the Scotchman with an Englishman. All these men are each

\(^1\) In the comparatively rare cases where governments engage in trade they act on the same principles as individual trading firms.
seeking their own profit in the exchanges they make. They will find that profit better if left to themselves than if their operations are subject to the control of politicians and bureaucrats, who may be corrupt, and who certainly will be ignorant. But the national wealth is the sum total of the wealth of the individuals composing the nation. It can therefore only be diminished by any system of trade regulation which deprives individuals of the liberty to obtain profit where they can find it best.

Of course wealth is not the only object of national ambition. As Adam Smith long ago insisted, Defence is greater than Opulence. But let us be clear first about the question of wealth. Let us be clear that Protection can only diminish national wealth, and then we can proceed to consider how far it may be desirable to submit to that diminution for the sake of some other national object. The trouble is that the modern Protectionist will seldom define what are the objects which he hopes to attain by a sacrifice of national wealth. Earlier Protectionists were more honest. The mercantilists of the eighteenth century argued that a store of gold and silver was necessary to a nation to serve as a war chest, and they honestly believed that this chest could best be filled by prohibiting the export of coin and bullion, and by trying to force other countries to pay in gold and silver for our goods. Events have shown that they were wrong. Never
has the war chest of England been so full as it was after fifty years of Free Trade.

Again, the Protectionists of the first half of the nineteenth century argued that the existence of a landed aristocracy was essential to the welfare of the nation, and they honestly believed that the aristocracy would perish if the rent of the landlord was not kept up by a tax upon the food of the people. Here again events have shown that they were wrong. The people, freed from a tax upon their food, and freed from the blundering interference of politicians with the business of commerce, have multiplied their factories and warehouses, their offices and shops, and have multiplied their houses and parks and pleasure gardens, to such an extent that the rent of the soil of England now maintains a landed aristocracy probably ten times as wealthy as the aristocracy of fifty years ago.

Another favourite excuse for Protection, repeated at intervals for nearly a century, is the risk to our food supply in time of war. The simple answer is that this risk must be taken, unless we are prepared to reduce our population by at least 50 per cent.; for even when our population was half what it now is our own soil did not provide us with sufficient food. It is a curious way of promoting national greatness to ask a nation of 42,000,000 people to cut themselves down to 21,000,000 for fear that their foreign food supply, which has never yet been interrupted, might, under conditions, which have
never yet been explained, suddenly cease. Yet even if this happy despatch of more than twenty million people had been completed, it would still be arguable that the remaining population would do more wisely to take the remote and imaginary risk of a war against the world, without allies and without neutrals, rather than face the ever-present dangers of an uncertain climate.

Another argument which seems greatly to comfort the neo-Protectionist is derived from the fact that other countries, with rare exceptions, have not yet adopted Free Trade. That is a misfortune for the countries that adhere to Protection, and in a lesser degree it is a misfortune for us, because foreign tariffs, especially when they are frequently altered, add to the difficulties with which the British manufacturer has to deal. But though foreign protectionist tariffs are in some ways inconvenient to us as well as to the countries that maintain them, their existence in no way disproves the Free Trade position, for that position rests upon arguments which would remain true even if all the world rejected them.

To-day we all believe that the earth moves. Was that "dogma" any less true when mankind in the mass rejected it, and when the Inquisition threatened Galileo with death for daring to proclaim it? If we are to abandon our principles because other

1 On the other hand, when foreign Protection takes the form of "dumping" goods below cost in this country we actually gain by the folly of our neighbours.
countries fail to follow our example, it is not Free Trade alone that will have to go by the board. One can readily imagine how a minister of the Balfourian type, speaking in the eighteenth instead of in the twentieth century, would have argued against constitutional government because other countries continued to submit to the despotism of absolute monarchs. "Do you think that England alone possesses a monopoly of political wisdom? Are other nations composed of fools?" These are the questions that an eighteenth century Balfour would have asked, and he would have proceeded to urge that though political freedom was an excellent thing, it ceased to be valuable unless all the world possessed it, and that therefore England should go back to the despotism from which she was saved by the Revolution of 1688. This is no fanciful illustration. There is a very close connection between England's political and England's commercial liberty. We have led the way in one as in the other, because liberty is a tradition of our race. We shook off serfdom, centuries before other countries could rid themselves of it; we emancipated our country from the domination of a foreign church as early as any of our neighbours, and earlier than most; we established constitutional government a hundred years in advance of any other country. It is therefore in no way surprising that England should still lead the world in commercial as in political, religious, and civil freedom.
Lastly we come to an argument that within the last few months has been loudly proclaimed by the modern apostles of Protection as if it were an entirely new discovery. It is in effect only the old superstition of sixty years ago, that a system of preferential tariffs is necessary to hold the Empire together. Even Mr. Gladstone in his younger days held that faith, and resisted the first efforts of Earl Grey to get rid of the colonial preferences. But Earl Grey was right.

The irritation caused by those preferences would have made the continuance of the Empire impossible. Their monstrous absurdity can be illustrated by one fact:—The British Government, in order to encourage the Canadian timber trade, imposed a heavy duty on foreign timber, yet the Admiralty stipulated in their contracts that no colonial timber was to be used in British warships, because of its inferior quality. When the trade of the nation was hampered by regulations of this character it is not surprising that prominent men of all political parties—among them Mr. Disraeli—should have questioned the wisdom of retaining a colonial empire that cost so much and returned so little. In a word, the Little England party was the distinct creation of the system of colonial preferences. The abolition of the last of these preferences in 1860 left the ground clear for the building up of a great Free Trade Empire. That ideal was not fully realised because English statesmen held—in words
that the late Lord Farrer was fond of using—that Freedom was greater than Free Trade. The self-governing Colonies were left free to impose protective duties on British goods, although then, as now, the Mother Country bore the cost of their defence. They have freely exercised the freedom accorded to them, and in many cases have built up a high tariff wall against British goods in order to foster an exotic colonial industry. By so doing they have undoubtedly injured themselves, for they have checked the development of their primary industries, which needed no protection. Whether England has greatly suffered by this colonial protection is more doubtful. The colonial market, whether open or closed, has always been a relatively unimportant one. In the five years ending 1859 our exports to British possessions averaged 31.5 per cent. of our total export trade; in the five years ending 1899, the percentage was 32.9 per cent. During the intervening forty years the Empire expanded enormously both in area and in population, yet the percentage of exports to British possessions remained almost stationary. When it is remembered that the most important of British possessions is India, and that our trade with India is on a Free Trade basis, it will be seen that there is very little ground for the assumption that our colonial trade

1 This year is taken in preference to any later year because the colonial trade in each of the years 1900, 1901, and 1902 was greatly affected by the South African War.
could ever have become a substitute for our foreign trade, even if absolute Free Trade had prevailed between all parts of the Empire. It is significant to note that our export trade to Canada, the greatest of the self-governing Colonies, has never greatly exceeded 3 per cent. of our total exports.

We may therefore console ourselves with the knowledge that the injury done to the Mother Country by colonial Protection has not after all been very serious. On the other hand, the benefit conferred upon the Empire by colonial liberty has been enormous. The liberty granted to the Colonies to work out their own salvation, even at the cost of some incidental injury to the Mother Country that defends them from foreign foes, has bred in them a spirit of loyalty to the imperial tie that no other system could have created. If we had insisted on keeping their ports open to our trade, they would have disbelieved in the sincerity of our motives, and would have complained, in the usual protectionist jargon, that we were making their shores a dumping ground for our goods. The wisdom of our forbearance has been proved by the success of our policy. Our colonial fellow-subjects may insist on taxing our goods, but they are willing to shed their blood in our battles. It is barely a year ago that the men, who are now shrieking for Protection to save the Empire from instant dissolution, were pointing with pride to an Empire greater and more united than the world had ever seen before. That Empire is
broad based upon freedom. It can only be shattered by any system of tariff manipulation which would destroy the liberty now enjoyed by Colonies and Mother Country alike, in order to substitute a corrupting commercial bribe for the cementing bond of affection.

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Oct., 1903.