

severest critic, and with prayer and meditation discerned, fought, conquered his faults. Fairly might he claim from his country a share in the praise that she so eagerly accords to Washington and Franklin, so sternly withholds from Burr, and so sadly from Hamilton, that he is one of those Americans; who, in their eagerness to make their country

greater, know how to make themselves better.

If our extracts seem few, it has been that our readers may be induced to search these volumes for themselves; and in advising them to do so, we must repeat our recognition of the modesty, the skill, and the devotion with which the editor has executed his duty.

*William Everett.*

### THE CREED OF FREE TRADE.

THAT the question of free trade, as embodied in opposition to the levying of taxes for any other than strictly revenue purposes, is to come before the American people as one of the political issues of the next presidential campaign, cannot be doubted. That no inconsiderable proportion of American manufacturers, as the result of recent hard experience, are furthermore likely at no distant day to unite in demanding an abandonment in our national fiscal policy of *ultra* protection as in itself destructive of all protection, may also be regarded as a matter reasonably certain. Under such circumstances, then, with a view of aiding the average citizen, who has not given special attention to finance and political economy, to form in respect to these questions an opinion which he may soon have to express at the polls, it is proposed here to present—without claiming originality for either language or illustration—a simple statement of the creed of free trade, as viewed from an American stand-point, and of the reasons for which its advocates seek its recognition as a cardinal feature of our future national fiscal legislation.

#### FREE TRADE DEFINED.

Free trade in its fullest acceptation, as recently defined by Chevalier, “*is the free exercise of human power and faculties in all commercial and professional life; it is the liberty of labor in its grandest proportions.*” In its more technical and present political sense, it means the

freeing of the exchange of all commodities and services, between man and man, irrespective of residence or nationality, from all arbitrary, artificial obstructions and interferences resulting from legislation or prejudice.

#### RELATION OF FREE TRADE AS AN ECONOMIC SYSTEM TO TAXATION AND REVENUE.

On this point there is no little popular misconception, which has, doubtless, been often intentionally encouraged by a common assertion of the advocates of protection, that “the adoption of free trade as a national fiscal policy necessarily involves a resort on the part of the state to direct taxation as a means of obtaining revenue.” The truth, however, in respect to this matter is as follows: The command of revenue being absolutely essential to the existence of organized government, the power to compel contributions from the people governed, or, as we term it, “*to tax,*” is inherent in every sovereignty, and is essential to its existence. So far, the advocates of free trade and protection fully agree. The former, however, maintain that in the exercise of this power the object of the tax should be rigidly restricted to the defraying of legitimate public expenditures,—or, in other words, that taxes should be levied for revenue purposes exclusively,—and that, subject to such limitations, the question as to what forms taxation would best assume becomes one of mere experience



and expediency; preference being always given to those forms which involve the least waste, cost, and personal annoyance in collection, which are most productive of revenue, and interpose the minimum of interference and restriction on commercial intercourse. Free trade as an economic principle is not, therefore, as is often assumed and supposed, necessarily antagonistic to the imposition of duties on imports, provided the end sought to be attained is simply revenue and the circumstances of the state render such form of taxation expedient. Protection, on the other hand, on the ground of advantages accruing directly or incidentally, advocates and defends the imposition of taxes on imports for purposes other than those of revenue. Protection, therefore, to the exact extent to which it attains its object, is obviously antagonistic to revenue, inasmuch as revenue is received only on those commodities which *come in*, while protection is secured only when the importation of commodities is restricted or made difficult.

#### INCIDENTAL PROTECTION.

The adjustment of a tariff for revenue in such a way as to afford what is termed "incidental protection" — an idea much favored by American politicians — is based on the supposition that by arranging a scale of duties so moderate as only to restrict and not prevent importations it is possible to secure a sufficiency of revenue for the state, and at the same time stimulate domestic manufactures by increasing the price of competitive foreign products. That the double object thus aimed at is capable of attainment cannot be doubted, but that the project is also one of the most costly of all methods of raising revenue will become evident if it is remembered that, while revenue to the state accrues only from the tax levied on what is imported, another tax, arising from the increase of price, is also paid by the nation upon all that is sold and consumed in competition with the foreign article. A tariff for revenue so adjusted as to afford inci-

dental protection is therefore a system which requires the consumers, who are the people, to pay much in order that the state may receive little. With these preliminary statements, the essential points of the argument in favor of free trade, as contradistinguished from protection, may be stated as follows:—

#### THE HIGHEST RIGHT OF PROPERTY.

The highest right of property is the right to exchange it for other property. That this must be so will at once appear if it is remembered that, if all exchange of property were forbidden, each individual would be assimilated in condition to Robinson Crusoe on his uninhabited island; that is, he would be restricted to subsisting on what he individually produced or collected, be deprived of all benefits of coöperation with his fellow-men, and of all advantages of production derived from diversity of skill or diversity of natural circumstances. In the absence of all freedom of exchange between man and man, civilization would obviously be impossible; and it would also seem to stand to reason that to the degree in which we impede or obstruct the freedom of exchange, — or, what is the same thing, commercial intercourse, — to that same degree we oppose the development of civilization.

#### TO RESTRICT EXCHANGES REAFFIRMS THE PRINCIPLE OF SLAVERY.

Any system of law which denies to an individual the right freely to exchange the products of his labor, by declaring that A, a citizen, may trade on equal terms with B, another citizen, but shall not under equally favorable circumstances trade with C, who lives in another country, reaffirms in effect the principle of slavery; for both slavery and the artificial restriction or prohibition of exchanges deny to the individual the right to use the products of his labor according to his own pleasure, or what may seem to him the best advantage; or, in other words, the practical working of both the system of human slavery and



the system of protection is to deprive the individual of a portion of the fruits of his labor, without making in return any direct compensation. The argument that is generally put forth by protectionists in justification of legislation restricting freedom of exchange, or in defense of the pithily expressed proposition that "it is better to compel an individual to buy a hat for five dollars, rather than to allow him to purchase it for three," is that any *present* loss or injury resulting from such restriction to the individual will be more than compensated to him *indirectly*, as a citizen of the state. But this plea is the same in character, and just as legitimate, as that which was formerly put forth in defense of the system of negro slavery, namely, that the system was really for the good of the persons enslaved, and that any deprivation endured by the slave for the good of society—meaning thereby the masters—would be fully compensated to him, through moral discipline, in the world to come. It is also to be noted that this same species of argument—*i. e.*, indirect or future individual or social benefit as a justification for present personal restriction or injury—has always been made use of in past ages as a vindication and in warrant of persecution on the part of the state for heresy or unbelief, and also of the establishment of state religions and enforced conformity thereto.

#### THE ARGUMENT FOR FREE TRADE AND THE ARGUMENT FOR ABUNDANCE.

The general result for which all men labor is to increase the abundance or diminish the scarcity of those things which are essential to their subsistence, comfort, and happiness. Different individuals are endowed with different natural capacities for making the various forces of nature and varieties of matter available for production. One man is naturally fitted to excel as a farmer, another as a mechanic, a third as a navigator, a fourth as a miner, engineer, builder, or organizer and director of society, and the like. The different coun-

tries of the earth likewise exhibit great diversity as respects soil, climate, natural products, and opportunity. It would seem clear, therefore, in order that there may be the greatest material abundance, that each individual must follow that line of production for which he is best fitted by natural capacity or circumstances; and that, for the determination of what that line shall be, the promptings of individual self-interest and experience are a far better guide than any enactments of legislatures and rulers possibly can be; and, finally, that the greatest possible facility should be afforded to producers for the interchange of their several products and services. So true, indeed, are these propositions, that mankind in their progress from the rudest and most incipient social organizations to higher degrees of civilization invariably act in accordance with them, and, as it were, instinctively. Robinson Crusoe upon his uninhabited island and the solitary settler in the remote wilderness follow of necessity a great variety of occupations, as those of the farmer, hunter, builder, blacksmith, fisherman, tailor, and the like. But as rapidly as the association of others in the same neighborhood admits, the solitary man abandons his former diversity of employment, and devotes himself more or less exclusively to a single department of industry, supplying his want of those things which he does not himself produce by exchanging the surplus product of his own labor for the surplus product of others' labor, who follow different industries. It is to be further observed that settlements in all new countries commence, if possible, in close proximity to navigable waters, so as to take advantage of natural facilities for intercommunication between man and man for the purpose of exchanging services or commodities; and that if commenced inland, one of the first efforts of the new society is the construction of a path or road which will enable its members to hold communication with some other settlements or societies. Next, as population and production increase, the rude path or trail gives way to a well-defined road, the



ford to a bridge, the swamp to a causeway, the pack carried upon the backs of men and animals to the wagon drawn by horses, the wagon to the railway-car, the boat propelled by oars and sails to the boat propelled by steam, and finally the telegraph, annihilating space and time; all efforts and achievements having the single object of facilitating intercommunication between man and man, and removing obstructions in the way of interchanging human services and commodities. Free exchange between man and man—or, what is the same thing, free trade—is therefore action in accordance with the teachings of nature. Protection, on the other hand, is an attempt to make things better than nature made them. Free trade, or the interchange of commodities and services with the minimum of obstruction, by rendering commodities cheap tends to promote abundance. Protection, by interference or placing obstructions in the way of exchanges, tends to increase the cost of commodities to the consumer, and thereby promotes scarcity. Protection, effected by legislative restriction on exchanges, acts, therefore, in the same manner as all other things which render transportation onerous; or, in other words, it is an obstacle in the same sense as a bad road, a precipitous range of mountains, an intervening desert, or a wide expanse of ocean abounding in risks to navigation; the general effect of all which is to augment in various degrees to consumers the difference between the producer's and the vendor's prices of commodities. All the people of the United States instinctively rejoice at the announcement of every new discovery in the construction or propulsion of vessels, whereby the time and cost of transporting commodities across the Atlantic from Liverpool to New York, or across the Pacific from China and Japan to San Francisco, are diminished; and yet they do not revolt at the inconsistency of imposing taxes, for purposes other than to meet the necessities of the state, on the landing of the commodities thus transported; which taxes are precisely equivalent in effect, as re-

gards the consumer, to the substitution of slow-sailing vessels of small tonnage in the place of ocean steamers, or to so widening the expanse of ocean to be traversed that the time employed in transportation (and the consequent increased cost of freight and risk) shall be expressed by months rather than by days. A few illustrations derived from the actual experience of the United States are here pertinent to the argument.

Upon the coast of Nova Scotia, within a short distance of the United States, there are coal-mines of great value, which, unlike any others in the whole world, are located so advantageously in respect to ocean navigation that almost by the action of gravity alone the coal may be delivered from the mouth of the pit upon the deck of the vessel. Now, for years the government of the United States imposed a tax on the landing of this coal within its territory, of one dollar and twenty-five cents per ton. But if we assume that coal upon a well-managed railroad can be transported for one cent per ton per mile, the effect of this tax upon the people of New York and New England is precisely equivalent to a removal of these coal-mines of Nova Scotia from a point on the seaboard to a location one hundred and twenty-five miles inland. But it would also seem to stand to reason that if the removal of these mines one hundred and twenty-five miles into the interior was a benefit to the people of the United States, a further augmentation of their distance from the seaboard to five hundred or a thousand miles would be a still greater blessing, and that their absolute annihilation would be the superlative good of all.

Again, some years since an English engineer, Mr. Bessemer, devised a new process for the manufacture of steel. He did not claim to make anything new; he did not claim to make steel of a quality superior to what was made before; but he did succeed in showing mankind how to make an article indispensable in the work of production *cheap*, which was before *dear*. Immediately on the



assured success of the invention, the advocates of protection in the United States asked Congress to impose such a duty on the import of this steel as would, through a consequent increase of its price to American consumers, almost completely neutralize the only benefit accruing from the knowledge and use of the new process, namely, its *cheapness*, and they succeeded in obtaining, and still (1875) retain, a duty that in a great degree accomplishes such a result.

What this result practically has been may be illustrated by stating that in 1872 the Michigan Central Railroad re-laid its track at Detroit with steel rails costing ninety-seven dollars (gold) per ton, while at a distance of half a mile (across the Detroit River) the Canada Southern Railroad was laying down the same kind of rails at a cost of seventy dollars (gold) per ton. Will the reader here ask himself, who pays the tax thus levied in perpetuity on this road, or, what is the same thing, on the privilege of using it; and whether any corresponding benefit in perpetuity accrues from the tax?

From the above propositions and examples it would seem evident that the direct effect of a protective duty, when it is really operative, is to compel, on the part of the community employing such an agency, a resort to more difficult and costly conditions of production for the protected article; and also that when a community adopts the protective policy it commits itself to the indorsement of the principle that the development and propagation of obstacles is equivalent to, or the surest method of, developing or propagating riches—a policy and a principle which, if logically and practically carried out, would lead to disuse of all labor-saving machinery.

The advocate of protection, however, meets this averment, as well as the argument embodied in the coal and Bessemer steel illustrations above given, by saying that by prohibiting or restricting the importation and use of foreign coal and steel a demand will be created for a corresponding additional quantity

of similar American products. The immediate result of this will be that an additional opportunity must in consequence be afforded to American citizens desirous of following the occupations of coal-miners or transporters or steel-makers; and, the results of their labor and expenditure remaining in the country, the national wealth will be thereby augmented, whereas if the same amount of labor and expenditure is diverted to, and takes place in, a foreign country, the result will be exactly opposite.

In answer, now, to this, it may be said, *First*, That the amount of consumption in the two instances, and consequently the results of consumption, will not be the same; for whatever increases the price of a useful commodity diminishes its consumption, and, *vice versa*, whatever diminishes the price increases consumption. *Second*, To admit the desirability of creating an opportunity of employing labor, through the agency of a tax on all consumers of coal and steel, to do work that would yield to the same consumers a greater product of the same articles if performed elsewhere, or an equal product at less cost, is to admit that the natural resources of a country are so far exhausted that there is no opportunity for the truly productive employment of labor—an argument which, however effective in overpopulated countries, can have no possible application in a new country like the United States, whose natural resources, so far from being exhausted, are yet, as it were, unappropriated and unexplored. Again, a tax levied in pursuance of legislative enactment for the maintenance of such labor is clearly in the nature of a forced charity, while the petitioners for its enactment answer in every particular to the definition of the term "pauper"—namely, one who publicly confesses that he cannot earn a living by his own exertions, and therefore asks the community to tax themselves or diminish their abundance for his support. *Third*, The only true test of the increase of national wealth is the possession of an increased quantity of useful things in the aggregate, and not in the amount of



labor performed or the number of laborers employed, irrespective of results. A tariff, from its very nature, cannot create anything; it only affects the distribution of what already exists. If the imposition of restrictions by means of taxes on imports enables a producer to employ a larger number of workmen and to give them better wages than before, it can be accomplished only at the expense of the domestic consumers, who pay increased prices. Capital thus transferred is no more increased than is money by transference from one pocket to another, but on the contrary it is diminished to just the extent that it is diverted from employing labor that is naturally profitable to that which is naturally unprofitable.

PROTECTION IN REALITY DOES NOT  
PROTECT.

Herein, then, is exposed the fallacy of the averment that duties levied on the importation of foreign commodities protect home industry. It may be conceded that certain industries may be temporarily stimulated, as the result of such duties, and that the producers may obtain large profits by a consequent increase in the price of their products; but then, it is at the expense of those who pay the increased price, who are always the domestic consumers.

To further make clear this position, the following illustration, drawn from actual American experience, is submitted: For a number of years subsequent to 1860, Congress, with a view of protecting the American producer, imposed such a duty on foreign salt as to restrict the import and at least double the price of this commodity, whether of foreign or domestic production, to the American consumer. The result was, taking the average price of No. 1 spring wheat for the same period in Chicago, that a farmer of the West, desirous of buying salt in that market, would have been obliged to give two bushels of wheat for a barrel of salt, which, without the tariff, he would have readily obtained for one bushel. If, now, the tax

had been imposed solely with a view to obtaining revenue, and the farmer had bought imported salt, the extra bushel given by him would have accrued to the benefit of the state; and if the circumstances of the government required the tax, and its imposition was expedient and equitable, the act was not one to which any advocate of free trade could object. But in the case in question the tax was not imposed primarily for revenue, as was shown by the circumstance that imports and revenue greatly decreased under its influence; and the salt purchased by the farmer in Chicago was domestic salt, which had paid no direct or corresponding tax to the government. The extra bushel of wheat, therefore, which the farmer was compelled to give for his salt accrued wholly to the benefit of the American salt-boiler, and the act was justified on the ground that American industry, as exemplified in salt-making, was protected. And yet it must be clear to every mind that if the farmer had not given the extra bushel of wheat to the salt-boiler, he would have had it to use for some other purpose advantageous to himself — to give to the shoemaker, for example, in exchange for a pair of brogans. By so much, therefore, as the industry of the salt-boiler was encouraged, that of the farmer and the shoemaker was discouraged; and, putting the whole matter in the form of a commercial statement, we have the following result: under the so-called “protective system” a barrel of salt and two bushels of wheat were passed to the credit of what is called “home industry,” while under a free system there were a barrel of salt, two bushels of wheat, and a pair of shoes. Protection, therefore, seeks to promote industry at the expense of the products of industry; and its favorite proposition, that though under a system of restriction a higher price may be given for an article, yet all that is paid by one is given to some other person in increased employment and wages, has this fallacy — namely, that it conceals the fact that the entire amount paid by the consumer would “in the long run” have been



equally expended upon something and somebody if the consumer had been allowed to buy the cheap article instead of the dear one; and consequently the loss to the consumer is balanced by no advantage *in the aggregate* to any one.

“When a highwayman takes a purse from a traveler, he expends it, it may be, at a drinking-saloon, and the traveler would have expended it somewhere else. But in this there is no loss in the aggregate; the vice of the transaction is that the enjoyment goes to the wrong man. But if the same money is taken from the traveler by forcing him to pay for a dear article instead of a cheap one, he is not only despoiled of his just enjoyment as before, but there is a destructive process besides, in the same manner as if the loss had been caused by making him work with a blunt axe instead of a sharp one. Whenever, therefore, anything is taken from one man and given to another under the pretense of protection to trade, an equal amount is virtually thrown into the sea, in addition to the robbery of the individual.”

#### INFLUENCE OF PROTECTION NOT PERMANENT BUT TEMPORARY.

A further conclusion, alike deducible from theory and proved by all experience, is that not only does protection to a special industry not result in any benefit to the general industry of a country, but also that its beneficial influence on any special industry is not permanent, but temporary. Thus, the price of no article can be permanently advanced by artificial agencies, without an effort on the part of every person directly or indirectly concerned in its consumption to protect and compensate himself by advancing the price of the labor or products he gives in exchange. If sufficient time is afforded, and local exchanges are not unduly restricted, this effort of compensation is always successful. Hence, from the very necessity of the case, no protective duty can be permanently effective. Hence, also, it is that protected manufacturers always proclaim, and no doubt honestly feel, that the

abandonment of protection, or even its abatement, would be ruinous; and in all history not one case can be cited where the representatives of an industry once protected have ever come forward and asked for an abatement of taxation on the ground that protection had done its work. Under this head the recent experience of the United States affords a most curious and convincing illustration. Thus, in 1862-63, in order to meet the expenses of a great war, the government imposed internal taxes on every variety of domestic manufactures, and in accordance with the principles of equity imposed what were claimed to be corresponding taxes on the imports of all competing foreign products. Soon after the close of the war, however, when the cessation of hostilities diminished the necessity for such large revenues, the internal taxes were repealed, but in no one instance was there a protected manufacturer found who took any other position than that a repeal of the corresponding tariff would be most disastrous to his business. The tariff, as originally raised to compensate for the new internal taxes, was therefore left in a great degree unchanged. That the principle here laid down, of want of permanency in protective agencies, is furthermore admitted by the protected (American) manufacturers themselves as a result of their own experience, is also proved by the following striking testimony, forced out under oath before a government commission from one of the foremost of their number in 1868 — the late Oakes Ames, of Massachusetts:—

*Question.*—What, according to your experience, was the effect of the increase of the tariff in 1864 on the industries with which you are specially acquainted?

*Answer.*—The first effect was to stimulate nearly every branch, to give an impulse and activity to business; but in a few months the increased cost of production and the advance in the price of labor and the products of labor were greater than the increase of the tariff, so that the business of production was



no better, even if in so good a condition, as it was previous to the advance of the tariff referred to.

WILL FREE TRADE TEND TO DIMINISH THE OPPORTUNITIES AND REWARDS OF DOMESTIC INDUSTRY?

Upon no one argument have the advocates of protection relied more, in support of their system, than the assumption that, if there were no restrictions on trade, the opportunity to labor created by protection and the results of the expenditure of the earnings of such labor would be diverted to other countries to their benefit, and to the corresponding detriment of that country which, needing protection by reason of a necessity for paying higher wages or other industrial inequalities, abandons it; or, to speak more specifically, it is assumed that if the United States were to adopt a policy of free trade, England would supply us with cotton and metal fabrications, Germany with woolen goods, Nova Scotia with coal, the West Indies exclusively with sugar, Russia with hemp and tallow, Canada with lumber, and Australia with wool; that thereby opportunity to our own people to labor would be greatly restricted, and the wages of labor be reduced to a level with the wages of foreigners. Specious as is this argument, there could not be a greater error of fact or a worse sophism of reason. None of the commodities mentioned will be given by the producers resident in foreign countries for nothing. *Product for product* is the invariable law of exchange, and we cannot buy a single article abroad, save through the medium of something that must be produced at home. Hence the utter absurdity of that assertion which to protectionists seems pregnant with such dreadful meaning, namely, "that under free trade we should be deluged with foreign goods;" for if more should be really imported under a free trade than under a protective policy, then one of two things would take place: either we must produce more at home in order to pay for the new excess of imports, in

which case domestic industry would be stimulated and not diminished; or, not producing more, we must obtain more in return, or, what is the same thing, a higher price for what we already produce—a result manifestly conducive to national prosperity. It would also seem to be in the nature of a self-evident proposition, that nothing under any circumstance can or will be imported unless that in which it is paid for can be produced at home with greater final advantage.

Again, the favorite protectionist argument that, if trade is unrestricted and the people of a country, under the inducement of greater cheapness, are allowed to supply themselves with foreign commodities, the opportunities for the employment of domestic labor will be correspondingly diminished, is an argument identical in character with that which has in past times often led individuals and whole communities to oppose the invention and introduction of labor-saving or "labor-dispensing" machinery. But, to sift thoroughly this sophism, it is sufficient to remember that labor is not exerted for the sake of labor, but for what labor brings, and that human wants expand just in proportion to the multiplication of the means and opportunity of gratifying human desires. If the wages of a day's labor would purchase in the market one hundred times as much as at present, can any one doubt that the demand for the necessaries and luxuries of life would be increased a hundred-fold? If the people of this country could obtain the products of the labor of other countries for nothing, could the labor of the whole world supply the quantity of things we should want? In short, the demand for the results of labor can never be satisfied, and is never limited except by its ability to buy; and the cheaper things are, the more things will be purchased and consumed. Nothing, therefore, can be more irrational than the supposition that increased cheapness, or increased ability to buy and consume, diminishes or restricts the opportunity to labor. If by the invention of machinery or the dis-



covery of cheaper sources of supply the labor of a certain number of individuals in a department of industry becomes superfluous or unnecessary, such labor must take a new direction, and it is not to be denied that in the process of readjustment temporary individual inconvenience, and perhaps suffering, may result. But any temporary loss thus sustained by individuals is more than made up to society, regarded from the standpoint of either producers or consumers, by the increased demand consequent on increased cheapness through greater material abundance, and therefore greater comfort and happiness. About the time of the invention and introduction of the sewing-machine into Europe the benevolent people of a city in Germany, where the industry of needlewomen was a marked specialty, formed an organization to lessen in a degree the injury which it was believed the use of the machine would inevitably occasion to the poor by supplanting the necessity for their employment. After the lapse of a few years, however, when society, as represented by the whole people of the city, obeying their natural instincts, had determined to have, and had obtained, a cheaper source of supply for their needle-products than before, the organization referred to found that their further existence was wholly unnecessary, inasmuch as the results of their investigations showed that by reason of a greater consumption of sewed goods, consequent on their cheaper supply, a much larger number of persons were engaged in the operating of sewing-machines than formerly found employment by the needle, and that wages had increased rather than diminished.

From these premises, therefore, the following deductions may be regarded as in the nature of economic axioms: *First.* A nation or community can attain the greatest prosperity, and secure to its people the greatest degree of material abundance, only when it utilizes its natural resources and labor to the best advantage and with the least waste and loss, whatever may be the nominal rate of

wages paid to its laborers. The realization of such a result is hastened or retarded by whatever removes or creates obstructions or interferences in the way of production and exchanges. *Second.* The exports, on the whole, of any country must and always do balance its imports; which is equivalent to saying that if we do not buy we cannot sell, while neither buying nor selling will take place unless there is a real or supposed advantage to both parties to the transaction. *Third.* As a nation exports only those things for which it possesses decided advantages relatively to other nations in producing, it follows that what a nation purchases by its exports it purchases by its most efficient labor, and consequently at the cheapest possible rate to itself. Hence, the price paid for every foreign manufactured article, instead of being so much given for the encouragement of foreign labor to the prejudice of our own, is as truly the product of our own labor as though we had directly manufactured it ourselves. Free trade, therefore, can by no possibility discourage home-labor or diminish the real wages of laborers.

#### DOES PROTECTION ENCOURAGE DIVERSITY OF INDUSTRY?

The averment that prohibition or restriction of foreign imports encourages diversity of domestic industry is answered by saying that when any trade can be introduced or undertaken for fiscal or public advantage, private enterprise is competent to its accomplishment. "To ask for more is only to ask to have a finger in the public purse." It may be possible to conceive of specific cases in which it might be politic for a government to give an advantage for a limited time and for a definite object. But protection, as an economic system, cannot rightfully claim any support from such an admission, inasmuch as its demand is that the public shall be obliged to support all manufacturing enterprises upon no other ground than that they cannot support themselves.



DOES PROTECTION TEND TO CHEAPEN  
MANUFACTURED PRODUCTS?

Protection, it is alleged, has a tendency to make what are termed manufactured products cheaper. A very fit and cogent answer which has been made to this assertion of the opponents of free trade is, that if protection is to be recommended because it leads ultimately to cheapness, it were best to begin with cheapness. Another answer is to be found in the circumstance that not a single instance can be adduced to show that any reduction has ever taken place in the cost of production under a system of protection, through the agencies of new inventions, discoveries, and economies, which would not have taken place equally soon under a system of free trade; while, on the contrary, many instances can be referred to which prove that protection, by removing the dread of foreign competition, has retarded not only invention, but also the application and use of improvements and inventions elsewhere devised and introduced. Thus, referring to the experience of the United States, where the system of protection has in general prevailed for many years, it is a well-known fact that the department of industry which has been distinguished more than any other by the invention and application of labor-saving machinery is that of agriculture, which has never been protected to any extent; and for the reason that in a country which raises a surplus of nearly all its agricultural products for sale in foreign countries it never can be. On the other hand, in that department of industry engaged in the primary manufacture of iron, which has always been especially shielded by high restrictive duties, not only from foreign competition, but also from the necessity of the exercise of economy and skill, the progress in the direction of improvement has been so slow that according to the report of the geological survey of Ohio (1871) there is hardly a furnace in that great iron-producing State that can be compared with the best English furnaces, in re-

spect either to construction, management, or product, and that "there is scarce any art practiced by our people so eminently progressive," which is "so far from having reached perfection as this one" of simple iron-smelting.

DOES IT PAY TO EFFECT A REDUCTION  
OF PRICES BY ARTIFICIALLY STIMULATING  
PRODUCTION?

It is here pertinent to notice an idea adopted by a school of American economists or politicians, that it is for the advantage of a country to endeavor to effect a reduction of prices by the creation, through legislation or otherwise, of an excessive or artificial stimulus to production. That the creation of an artificial stimulus to domestic production — such as is almost always temporarily afforded by an increase of the tariff or by war, which necessitates extraordinary supplies — does have the effect in the first instance to quicken certain branches of production, and subsequently to reduce prices through the competition engendered, cannot be doubted; but experience shows that in almost every such instance the reduction of prices is effected at the expense or waste of capital, and that the general result, in place of being a gain, is one of the worst events that can happen to a community. Thus, the first effect of creating an extraordinary domestic demand is to increase prices, which in turn affords large profits to those in possession of stock on hand or of the machinery of production ready for immediate service. The prospect of the realization of large profits next immediately tempts others to engage in the same branch of production — in many cases with insufficient capital, and without that practical knowledge of the details of the undertaking essential to secure success. As production goes on, supply gradually becomes equal to, and finally in excess of, demand. The producers working on insufficient capital or with insufficient skill are soon obliged, in order to meet impending obligations or dispose of inferior products, to force sales through a reduction of prices, and



the others, in order to retain their markets and customers, are soon compelled to follow their example. This in turn is followed by new concessions alternately by both parties, which are accompanied by the usual resort of turning out articles or products of inferior quality, but with an external good appearance — slate being substituted in the place of coal; cinder in the place of iron; shoddy in the place of wool; starch and sizing in the place of cotton; pasteboard in the manufacture of boots and shoes in the place of leather; and clay in the manufacture of paper in the place of fibre. And so the work of production goes on, until gradually the whole industry becomes depressed and demoralized, and the weaker producers succumb, with a greater or less destruction of capital and waste of product. Affairs having now reached their minimum of depression, recovery slowly commences. The increase of the country causes consumption gradually to gain on production, and finally the community suddenly becomes aware of the fact that supply has all at once become unequal to the demand. Then those of the producers who have been able to maintain their existence enter upon another period of business prosperity; others again rush into the business, and the old experience is again and again repeated. Such has been the history of the industry of the United States under the attempt to restrict the freedom of trade by high duties on imports, frequently modified; and such also was the effect of the war of 1861-65. To use a familiar expression, it has always been either "high water" or "low water" in the manufacturing industry of the country — no middle course, no stability. What the people have gained at one time from low prices as consumers they have more than lost at another by the recurrence of extra rates, and they have also lost, as producers, by periodical suspensions of industry, spasmodic reduction of wages, and depression of business.

Meantime, the loss to the country from the destruction of capital and the waste and misapplication of labor has been

something which no man can estimate; but to which, more than to any other one agency, the present remarkable industrial depression of the country must be attributed. The illustrations under this head afforded by the recent industrial experience of the United States are very numerous, and are not surpassed in curious interest by anything on record in the whole range of economic history. The following will serve as examples:—

In 1864-65 it was found that the supply of paper of domestic manufacture was insufficient to meet the consumption of the country, and that the supply from abroad was greatly impeded by an unusually heavy duty imposed in time of war on its import. The price of paper in the country accordingly rose with great rapidity, and the profits of the paper-manufacturers who were then in possession of the machinery of production became something extraordinary. The usual effect followed. A host of new men rushed into the business and old manufactories were enlarged, so that during the years 1864-66 it was estimated that more paper-mills were built in the United States than during the whole of the twelve years previous. As a matter of course, the market became overstocked with paper, prices fell with great rapidity, many abandoned the business through inclination or necessity, and many mills and much machinery were sold for less than the cost of construction; while in the spring of 1869 the paper-makers met in convention to consider the desirability of decreasing the production of paper — or, what is the same thing, of allowing their capital and their labor to remain unemployed — on account of the unprofitableness of the business. In October of the same year a storm of great violence swept over the northern portion of the country, and in the flood which followed, many mills engaged in the manufacture of paper were so injured as to be temporarily incapable of working. A leading journal in one of the paper-manufacturing districts, devoted to the advocacy of protection, in commenting on the effects of the storm, used this language: "There seems to



have been unusual fatality among paper-mills, but this disaster will work to the advantage of those who escaped the flood, and we doubt not that those that did stand will do a better business in consequence of the lessened supply;” or, in other words, the condition of this particular industry had become so bad through the influence of a fiscal policy based on the theory of protection that the occurrence of a great public calamity, with a vast attendant destruction of property, had come to be regarded in the light of a public blessing.

Again, at Kanawha, Virginia, there are remarkable salt-springs, some of which furnish conjointly with the brine an inflammable gas, which flows with such force and quantity that it has been used not only to lift the salt-water into tanks at a considerable elevation above the evaporating pans, but also to subsequently evaporate the brine by ignition under the furnaces; thus obviating the expense both of pumping and of fuel. During the war, in order to deprive the army and the people of the Southern Confederacy of a supply of salt, the springs in question, at Kanawha, were rendered useless by the Federal forces; which fact, coupled also with the imposition of excessively high duties (over one hundred per cent.) on the import of foreign salt, gave to the manufacturers of salt on the Ohio River such a market, that although the cost of manufacturing was nearly doubled, their profits for a time were enormous; salt that cost in 1868, at points on the Ohio River, twenty-three cents per bushel, in barrel, selling readily in Cincinnati for forty-eight cents per bushel. The result was such an increase in the number of salt wells and furnaces on the Ohio River, and such an increase in the power of production, that the available market, deprived of the stimulus of the war, was soon unable to take but little more than one half of the salt that could be produced. As was natural, the price of salt under such circumstances rapidly declined; and a struggle for existence among the manufacturers commenced. The furnaces built at war prices and

based on insufficient capital were soon crushed out of existence; while life was preserved to the remainder only by the formation of a manufacturers' association for permanently limiting production; and in order that such limitation of production and consequent breaking down of prices might not be interfered with, the Kanawha wells (the proprietors of which were not in the association), with all their advantages, were leased for a term of years at a large annual rental, called “dead rent,” and all utilization of them suspended and forbidden. “Now had the duty on salt,” writes one of the leading members of the association, under date of December, 1874, “never been raised above the present rate, I have no doubt that the capital invested in the business would have been more profitable, and that the waste of the large amount that has been uselessly invested would have been prevented.”

LAWS ESTABLISHING PROTECTION NECESSARILY UNJUST AND UNSTABLE.

One of the essential attributes of a just law is that it bears equally upon all subjected to its influence; and it would also seem clear that the general effect of an unjust law must be injurious. Now a system of law imposing protective duties must, in order to be effective, be partial and discriminating, and therefore unequal and unjust; for if a law could be devised which would afford equal protection to all the industrial interests of a nation, it would benefit in fact no interest by leaving everything relatively as before; or, in other words, the attempt to protect everything would result in protecting nothing.

Any system of laws founded on injustice and inequality cannot, furthermore, be permanent. The possibility that it may be further changed to meet the increased demands of special interests, and the instinctive revolt of human nature against legal wrong and partiality, continually threaten its stability. Hence, a system of industry built upon laws establishing protection through discrimi-



nating taxes can never have stability of condition; and without such stability there can be no continued industrial prosperity.

On the other hand, one of the strongest arguments in behalf of freedom of trade is, that it makes every branch of industry independent of legislation, and emancipates it from all conditions affecting its stability other than what are natural and which can in a great degree be anticipated and provided against.

#### DO FOREIGNERS PAY A PORTION OF OUR TAXES ON IMPORTS?

It is often asserted, by the advocates of protection, that a tariff on imports "obliges a foreigner to pay a part of our taxes." To this it may be replied that if there were any plan or device by which one nation could thus throw off its burden of taxation in any degree upon another nation, it would long ago have been universally found out and recognized, and would have been adopted by all nations to at least the extent of making the burden of taxation thus transferred in all cases reciprocal. If the principle involved in the proposition in question, therefore, could possibly be true, no advantage whatever could accrue from its application. But the point itself involves an absurdity. Taxes on imports are paid by the persons who consume them; and these are not foreigners, but residents of the country into which the commodities are imported. A duty on imports may injure foreigners by depriving them of an opportunity of exchanging their products for the products of the country imposing the duty, but no import-taxes will for any length of time compel foreigners to sell their products at a loss, or to accept less than the average rate of profit on their transactions; for no business can permanently maintain itself under such conditions. Where a nation possesses a complete monopoly of an article, as is the case of Peru in respect to guano, and to a great extent with China in the case of tea, the monopoly always obtains the highest practicable price for its com-

modity, and the persons who find its use indispensable are obliged to pay the prescribed prices. The imposition of a tax on the importation of such a commodity into a country may compel the monopoly, for the sake of retaining a market, to reduce its prices proportionally; and in such cases the nation imposing the impost may to a degree share the profit of the monopoly. But the price to the consumers is not diminished by reason of the import-duty, and the cases in which any interest has such a complete control over the supply of a product as to enable it arbitrarily to dictate prices are so rare as hardly to render them worthy of serious consideration in an economic argument.

#### THE PEACE AND WAR ARGUMENT.

Another powerful argument in favor of free trade between nations is, that of all agencies it is the one most conducive to the maintenance of international peace and to the prevention of wars. The restriction of commercial intercourse among nations tends to make men strangers to each other, and prevents the formation of that union of material interests which creates and encourages in men a disposition to adjust their differences by peaceful methods rather than by physical force. On the other hand, it requires no argument to prove that free trade in its fullest development tends to make men friends rather than strangers, for the more they exchange commodities and services the more they become acquainted with and assimilated to each other; whereby a feeling of interdependence and mutuality of interest springs up, which, it may be safely assumed, does more to maintain amicable relations between them than all the ships of war that ever were built or all the armies that ever were organized. Of the truth of this the experience of England and the United States in respect to the Alabama claims is a striking example. The moral and religious sentiments of the people of the two countries undoubtedly contributed much to restrain the belligerent feelings that existed previ-



ous to the reference of the claims to arbitration; but a stronger restraining element than all, and one underlying and supporting the moral and religious influences, was a feeling among the great body of the people of the two nations that war, as a mere business transaction, "would not pay;" and that the commerce and trade of the United States and Great Britain are so interlinked and interwoven that a resort to arms would result in permanent and incalculable impoverishment to both countries.

One argument, however, in favor of protection, which is said to take stronger hold on the popular mind than almost any other, is the asserted necessity of artificially stimulating by legislation all manner of domestic industries, in order that the country may not be dependent on other nations for martial requisites in case of possible foreign war. The first answer to this averment is, that whatever may have been our condition heretofore, the power of production at present in the United States is so great, so varied, and so permanently established, that it is hardly possible to conceive of a contingency in which the nation could be inconvenienced by a deficiency of any material requisite for the carrying on of war, with the exception of the two commodities, gold and saltpetre; and it will not be pretended by any one that the domestic supply of either of these articles can be advantageously increased by restricting their importation. Second, with a vigorous, patriotic population, especially if the same be supplemented, as in the case of England and the United States, with favorable natural conditions for defense, that nation, under our present civilization, will be most invulnerable in war which can incur and sustain the greatest and longest-continued expenditure, or which, in other words, is possessed of the greatest national wealth. But national wealth increases in a ratio proportioned to the removal of obstacles in the way of the development of trade, commerce, and all productive industries, whether such obstacles be in the nature of an imperfect education of the people,

or in the nature of bad roads, high mountains, impenetrable forests, trackless deserts, popular prejudices, or legal commercial restrictions, which impede a free interchange of commodities and services. In support of these positions two historical illustrations may be cited as evidence.

During the late civil war, the Confederate States, although deficient in almost all the so-called manufacturing industries, with a population trained almost exclusively to agriculture, and with all their main lines of intercommunication with the external world blockaded, nevertheless managed to obtain at all times adequate military supplies for conducting great campaigns so long as they were able to pay for them, and finally succumbed to the financial rather than to the physical power of their antagonists.

Upon this same point the example of Holland is also most instructive. From the commencement of their existence as a nation, the Dutch not only made their country an asylum for the oppressed of all nations, but they took especial care that their trade, industries, and all commercial exchanges should be "unfettered, unimpeded, and unlegislated upon," and this too while all the rest of the civilized world adopted a diametrically opposite policy. The result was that, though possessing a most restricted territory (about four hundred thousand acres of arable land) and a limited population (less than two millions), they not only maintained their independence against the combined hosts of Spain, France, and Germany, but for a time became the dominant naval power of the world. Though not raising a bushel of wheat, Holland became the best place for Europe to buy grain; though she did not possess an acre of forests, there was always more and better timber to be obtained in her ports than elsewhere; and though she smelted no iron, and did not raise a "sheaf of hemp," her fleets became the best that sailed the seas; and all because, to use the words of one of her statesmen (Cornelius DeWitt, 1745), "she had the wealth to pay for these commodities," and possessed this wealth



because trade and all exchanges were left unimpeded.

WHY FREE TRADE IS NOT IMMEDIATELY AND UNIVERSALLY ACCEPTED.

But the question here naturally arises, If the above propositions in favor of free trade are correct, and if the doctrine of protection is as false and injurious as it is represented to be, how happens it that free trade does not at once meet with universal acceptance? and how is the adherence of many men of clear intellect and practical experience to the opposite doctrine to be accounted for? One of the best answers to these questions was given by the celebrated French economist Bastiat, in an article written many years ago, entitled *That which is Seen* and *That which is not Seen*, in which he showed that protection is maintained mainly by a view of what the producer gains and a concealment of what the consumer loses; and that if the losses of the million were as patent and palpable as the profits of the few, no nation would tolerate the system for a single day. Protection accumulates upon a single point the good which it effects, while the evil which it inflicts is infused throughout the community as a whole. The first result strikes the eye at once; the latter requires some investigation to become clearly perceptible.

Mankind also divide themselves into two classes — producers and consumers, buyers and sellers. The interest of producers and sellers is that prices shall be high, or that there shall be scarcity; the interest of consumers and buyers is that prices shall be low, or that there shall be abundance. Every person will also at once admit that it is for the general interest that there shall be abundance, rather than scarcity. But in the case of individuals controlling large agencies for production, their interest as producers and sellers of large quantities of commodities may be made greater than their interest as consumers, if by the aid of legislation the price of what they produce can be raised, by discriminating laws, disproportionately over what they

consume, or to the cost of production. Men of this class are generally rich beyond the average of the community, and therefore influential in controlling legislation and in determining fiscal policies; and it is but natural that in so doing they should consult their own interests rather than the interests of the masses. The time, however, is soon coming, when the people of the United States "will wake as it were from a dream, and ask who it was that persuaded them that the way to be rich was for everybody to give as much as possible for everything."

CONCLUSION.

It only remains briefly to notice the testimony of history in respect to the influence of free trade as an economic principle upon the development of nations and the progress of civilization.

In the earlier ages in Europe the principle that trade or commerce is mutually advantageous, and that after every fair mercantile transaction both parties are richer than before, was not understood. On the contrary, the generally accepted theory among both nations and individuals in respect to trade was pithily embodied by an old proverb, "What is one man's gain must be another man's loss." Commerce, therefore, it was assumed, could benefit one country only as it injured some other. In accordance, therefore, with this principle, every state in Christendom, in place of rendering trade and commerce free, exerted itself to impose the most harassing restrictions on commercial intercourse, not only as between different countries, but also as between districts of the same country, and even as between man and man. "Country was accordingly separated from country and town from town as if seas ran between them. If a man of Liege came to Ghent with his wares, he was obliged first to pay toll at the city's gate; then when within the city he was embarrassed at every step with what were termed 'the privileges of companies;' and if the citizen of Ghent desired to trade at Liege, he experienced the same difficulties, which were effectual to prevent



either from trading to the best advantage. The revenues of most cities were also in great part derived from the fines and forfeitures of trades, almost all of which were established on the principle that if one trade became too industrious or too clever, it would be the ruin of another trade. Every trade was accordingly fenced round with secrets, and the commonest trade was termed, in the language of the indentures of apprentices, 'an art or mystery.' If one nation saw profit in any one manufacture, all her efforts were at once directed to frustrate the attempts of other nations to engage in the same industry. She must encourage the importation of all the raw materials that entered into its production, and adopt an opposite rule as respected the finished article. At the close of the sixteenth century England undertook the woolen manufacture. By the 8th of Elizabeth the exporter of sheep was for the first offense to forfeit his goods forever, to suffer a year's imprisonment, and then have his left hand cut off in a market-town on market-day, there to be nailed up to the pillory. For the second offense he should be adjudged a felon, and suffer death. At a later period, in the reign of Charles II., it was enacted that no person within fifteen miles of the sea should buy wool without the permission of the king; nor could it be loaded in any vehicle, or carried, except between sunrise and sunset, within five miles of the sea, on pain of forfeiture. An act of Parliament in 1678, for the encouragement of woolen manufactures, ordered that every corpse should be buried in a woolen shroud. In 1672 the lord chancellor of England announced the necessity of going to war with the Dutch and destroying their commerce, because it was surpassing that of Great Britain; and even as late as 1743 one of England's greatest statesmen declared in the House of Lords that "if our wealth is diminishing, it is time to ruin the commerce of that nation which has driven us from the markets of the Continent, by sweeping the seas of their ships and blockading their ports." By the treaty of Utrecht, which concluded

the great war of England and Spain against Louis XIV. and his allies, England, being able to dictate the terms, secured the adoption of a section by which the citizens of Antwerp were forbidden to use the deep water that flowed close by their walls; and it was further expressly stipulated that the capacious harbor of Dunkirk, in the north of France, should be filled up and forever ruined, so that French commerce might not become too successful.

With the progress of civilization, and the consequent diffusion of information, the arbitrary restrictions on trade above noticed, which were formerly so common in Europe, have almost entirely disappeared, and men now wonder that any benefit could ever have been supposed to accrue from such absurd and monstrous regulations. But the change to a more liberal state of things, though constant, has been slow, and the policy of the Middle Ages, in the process of modification and extinction, gave place to the so-called and more modern policy of "protection," which, while clearly recognizing the impolicy of interfering with domestic exchanges, regards foreign trade as something different from any other trade, which it is for the interest of the state to interfere with and regulate. But under the same influences of a progressive civilization this system too, in like manner, is disappearing.

In this work of progress Great Britain took the lead in 1841; not from a change in popular sentiment due to better acquaintance with theoretical principles, but from a realization, on the part of all classes of the people, of the results which the recognition and practice of the policy of protection during a period of many years had entailed upon the country. These results Mr. Noble, in his work, *Fiscal Legislation of Great Britain*, thus describes: "It is utterly impossible," he says, "to convey by mere statistics of our exports any adequate picture of the condition of the nation when Sir Robert Peel took office in 1841. Every interest in the country was alike depressed: in the manufacturing districts mills and workshops were closed and prop-



erty depreciated in value; in the seaports shipping was laid up useless in the harbor; agricultural laborers were eking out a miserable existence upon starvation wages and parochial relief; the revenue was insufficient to meet the national expenditure; the country was brought to the verge of national and universal bankruptcy." England, therefore, as it were, under compulsion, and with very grave doubts on the part of many of her ablest financiers and economists, under the lead of Sir Robert Peel abandoned protection as the national policy, and gradually adopted the opposite principle of free trade with all the world. The same author above referred to, writing in 1865, draws the following picture of the results of this change of policy based on the experience of near a quarter of a century: "It has rendered agriculture prosperous, largely augmented rent, vastly extended manufactures and employment, increased the wages of labor, and, while securing the collection of an increased revenue, has by improving the value of property lessened the burden of taxation. It has been shown, also, that each successive development of this beneficent legislation has extended these results."

The example thus set by Great Britain has in turn been followed in a greater or less degree by most of the other states of Europe, and in no one instance where a relaxation of previously existing commercial restrictions has once been made, and fairly tried, has there been any serious retrogression. It is also curious to note concerning the people of the United States, that so well satisfied are they of the principles of free trade when applied to domestic transactions, that they will not allow the creation or main-

tenance throughout the whole of the broad territory they inhabit of the slightest artificial obstruction to the freest exchange of products or to the freest commercial or personal movement; and this, too, notwithstanding that the different States and Territories into which the country is divided differ among themselves in respect to wages of labor, prices of commodities, climate, soil, and other natural conditions, as widely as the United States as a whole differs from any other foreign country with which it is engaged in extensive commercial intercourse. And yet we have the striking and anomalous circumstance that a very large number — perhaps a majority — of the American people regard trade with foreign nations as something very different from trade among themselves, which should, therefore, be subjected to entirely different laws and conditions. But a slight examination ought, it would seem, to prove that foreign trade presents no element peculiar to itself, but only the same elements which domestic trade presents, and that, consequently, the same laws and conditions that are applicable to domestic exchanges are equally applicable to foreign exchanges. Men, moreover, do not engage in any trade, foreign or domestic, for mere enjoyment or pleasure, but for the material gain which accrues to both parties. They desist from it also as soon as the mutual advantage ceases. The relation, then, which government ought to sustain to the whole question of exchanges is well expressed in the answer which the merchants of France gave to Colbert more than a century and a half ago, when he asked their advice and opinion "how he could best promote commerce?" "*Laissez nous faire*" ("Let us alone").

David A. Wells.