

# PROTECTION *and* PROGRESS

By JOHN P. YOUNG



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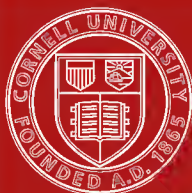
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**Protection and Progress.**



# Protection and Progress

A STUDY OF THE ECONOMIC BASES OF  
THE AMERICAN PROTECTIVE SYSTEM

BY JOHN P. YOUNG,

AUTHOR OF "THE MANUFACTURING INDUSTRIES OF JAPAN" AND  
"BIMETALLISM OR MONOMETALLISM."



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## INTRODUCTION.

The purpose of the writer in presenting what he conceives to be the true object of the protective policy is to combat the erroneous idea that the only useful function of the system of protection is to assist in the establishment of a domestic manufacturing industry. This opinion is now freely expressed by authors who concede that protection performs a valuable service to a nation by artificially calling into existence industries whose growth under so-called natural conditions would have been slow, perhaps impossible; but who contend that when this result has been accomplished the industries created should be left to work out their destinies under a system of unrestrained competition.

Those who hold to this view have been led astray by the false teachings of professional economists who have failed to perceive that no system of political economy which merely considers the present can be sound. That this is a fundamental defect of the doctrines of the Manchester school will be demonstrated in the following pages.

It will be conclusively shown that the teachings and practices of the British followers of Cobden, although having for their professed object the cheapening of production and the consequent increase of consumption, had they been accepted and imitated by the world, would have resulted in an arrest of industrial progress and the ultimate defeat of the purpose which free traders assert is the sole aim of the policy advocated by them.

It will be made clear that the most distinguished ex-

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ponents of the doctrines of the Manchester school constantly disregard the fact that present cheapness may result in ultimate dearness, and that they completely ignore the necessity of considering the future.

If there is a free trader who has pointed out that the welfare of the consumer in time to come is as much to be regarded by the economist as that of the consumer of the present day, his writings have not received much consideration. Those who have borne the Cobden banner in the front of the fray have certainly not done so, for their writings present an uninterrupted advocacy of a system which has for its object immediate gain at the expense of posterity.

That this accusation is well founded will be admitted by every one capable of recognizing that the inevitable result of acting up to the theory of "buying in the cheapest and selling in the dearest market" is to promote the wasteful system of unnecessary transportation, which is carried on by a useless expenditure of human energy and the uncalled for destruction of an immense proportion of the world's store of fuel.

The cheapest market for the time being must necessarily be that in which an industry is already established. No matter how great the resources of raw materials, or how abundant the facilities for converting them into finished products may be in an undeveloped country, in practice it is impossible to utilize them profitably unless artificial aid is extended to overcome the advantages enjoyed by those carrying on industries in older lands.

Had the free trade theory that it is the part of wisdom to buy in the cheapest market been generally accepted it would have resulted in the arrest of that almost simultaneous universal progress which is one of the most conspicuous features of the closing years of the nineteenth century. Had the advice of Cobden and his adherents been followed by Americans and other peoples the world would

have witnessed the singular spectacle of one nation becoming its workshop. Had considerations of the immediate benefit of the consumer prevailed England must inevitably have maintained her industrial supremacy, for there is no doubt that it would have been impossible for rivals, if the disposition to engage in rivalry could exist under such circumstances, to produce as cheaply as that country.

That the advantages enjoyed by the country with a well developed manufacturing industry would have been indefinitely retained under a system of exchange which discouraged efforts at competition cannot be doubted. To illustrate: it would have been impossible, if the theory that it is wise to buy in the cheapest market had prevailed in the United States, for that country to have created a great iron and steel industry; for at no time until within the past three years have Americans been able to manufacture those products as cheaply as Great Britain.

It ought not to be difficult to perceive that the present abundance and cheapness of iron and steel is wholly due to the refusal of the people of protected countries to consider immediate cheapness as of paramount importance. Deliberate defiance of the Cobdenite tenet that it is wise to buy in the cheapest market has called into existence rival iron and steel industries which cause those of the country once supreme in this department of manufacture to shrink in importance. At the beginning of the free trade era Great Britain produced more than half of the pig iron consumed by the world; fifty years later she produced less than one-fourth. In 1840 Great Britain mined 3,500,000 tons of iron ore and the rest of the world only 2,900,000 tons; in 1894 the iron ore production of the United Kingdom was 12,400,000 tons, and that of the other manufacturing countries reached the colossal aggregate of 40,800,000 tons. The output of iron ore in the United States was 500,000 tons in 1840; in 1894 it had increased to 17,000,000 tons.

It is impossible to escape the conclusion these figures suggest. They clearly indicate the cause of the present cheapness and extended consumption of iron and steel. Production on an enormous scale has compelled the result, and this production is obviously due to the disregard of the advice to buy in the cheapest market. Had Americans and Germans been frightened by the Cobdenite bogie of dearness they would still be dependent upon the British for their supplies of iron and steel. The restricted resources of the English and the practical monopoly which they enjoyed would, under such circumstances, have kept up prices, and the result would have been permanent dearness, although Great Britain might have remained the cheapest producer for an indefinite period.

The strength of the policy of protection is due to the perception that it promotes true, not merely nominal, cheapness. Protection could never have made headway if it had operated to make things actually and permanently dearer. Its economic basis is the elimination of wastefulness. By decentralizing industry it has vastly promoted its growth. The bringing of the consumer and producer together, which is the object of all consistent protectionists, promotes consumption and prevents waste of energy and the source of energy, fuel. Because it accomplishes this latter result it must always hold first place in any system of economy which does not disregard the future.

Cobdenism was foredoomed because its successful working depended upon the violation of true economic laws. It set up the theory that the world would be benefited by concentrating manufacturing operations in one quarter of the globe. A temporary advantage due to adventitious circumstances was mistaken for evidence that the British people were more capable than others. Acting on this erroneous idea a system of economics was elaborated by the Manchester school which, had it been accepted, must

inevitably have prevented numerous peoples passing the stage of homogeneity. Heterogeneity would have been impossible under a system of industry which proposed to relegate some nations to the position of producers of rude products for others to convert into finished articles.

Had the doctrine advanced by the followers of Cobden prevailed there must have been a perpetual waste of energy. Could mankind generally have been induced to believe that it is unwise to make temporary sacrifices to diversify industry England would have indefinitely continued the wasteful process of transporting raw materials from all parts of the world to be worked up into manufactured articles by the people of two islands, whose capabilities experience has demonstrated are in nowise greater than those of the peoples of numerous other nations.

It ought to require no argument to establish that it is wasteful to transport raw cotton to England to be manufactured for American consumption in the face of the concession made by free traders that the labor efficiency of operatives in this particular industry is greater in the United States than in the United Kingdom. If it is true that there is no natural obstacle in the way of manufacturers of cotton textiles in the United States producing goods vieing in quality with those turned out by English mills, sound economy demands that they should be produced in this country, not only for consumption by Americans but as well for Englishmen.

From the standpoint of the economist who regards the elimination of wastefulness as the most important thing to be considered the attempt to perpetuate cotton manufacturing in England will always be viewed as an effort to maintain an exotic industry. No country incapable of producing the raw material required in the prosecution of an industry can be regarded as naturally adapted to its manufacture, and unless the inhabitants of a country in which a

raw material is not indigenous are superior in skill to those who have the raw material in abundance they cannot hope to successfully compete when the latter have overcome the disadvantages inherent to the establishment of a new industry in a new country.

It is the function of protection to destroy the artificial advantages resulting from accumulations of capital and those which result from prior occupation of fields of industry. In performing this work protection is gradually reducing the wastefulness involved in useless carriage. In this respect it presents a complete antithesis to free trade, which promotes this sort of wastefulness by encouraging the unnecessary hauling to and fro of raw and finished articles. The inevitable outcome of the general adoption of protection must be the creation of many centers of industry instead of one or two. The result of this practical conversion of the whole world into a workshop will be an enormous gain to mankind.

The far-reaching consequences of the elimination of the waste which the general adoption of the Cobden system would have entailed are easily apprehended when we reflect that the world's supply of that great source of energy, coal, is not inexhaustible. We need not accept the pessimistic opinions which in some cases are gloomy enough to make the subject one of present concern in countries like England, but we are forced to admit that within a very brief period, as periods are measured in history, the available supply of coal will be exhausted.

In an article on "European and American Bridge Construction," which recently appeared in the Engineering Magazine (September, 1898), the writer, Gustav Lindenthal, stated that "authorities estimate that the coal fields of Europe and America will last from four hundred to fifteen hundred years longer. Those of Asia and Africa are not yet well known. Measured by the Egyptian



pyramids," he says, "the steel age will therefore be of short duration, but the most glorious in the history of mankind."

If the assumption is sound that "mineral fuel is the only great source of power which can be used for the reduction of iron ores," it is extremely doubtful whether the future historian will extol the achievements of those who are so lavishly wasting it. He will more probably condemn them as exhibitions of selfish disregard of the rights of posterity and of incapacity to make the best use of the gifts of nature.

If it is a blunder bordering on the criminal to heedlessly strip the earth of its forests, which human care and energy may restore, what may we call the unnecessary destruction of the store of mineral fuel, which can never be replaced? This is a question which will come home to posterity, and when the answer is framed it will embrace an awful indictment against a false economic system which taught men to deliberately waste an indispensable economic assistant provided by nature which can never be replaced.

That Cobdenism is responsible for waste of this character is easily demonstrable, and that the waste is on a colossal scale and is constantly accelerated by the system which has for its shibboleth "buy in the cheapest market" will be shown in the following chapters. It will be made clear that an enormous proportion of the coal annually mined in Europe and other parts of the world is consumed in the unnecessary moving to and fro of raw materials and finished articles and in supplying the motive power of the vast navies of modern times, which are admittedly maintained for the purpose of protecting a forced and unnatural external trade.

According to recent estimates the coal output of the year 1897 was 574,532,600 tons. It would be impossible to even approximately state how much of this enormous total is absolutely wasted, but some conception of the magni-

tude of the unnecessary consumption may be obtained from a consideration of the following facts :

Nearly two-thirds of the raw cotton, about one-third of the wheat, a large quantity of the corn, and similar proportions of the ruder productions of the United States are unnecessarily moved to England and other countries in vessels propelled by steam generated by coal. Obviously the fuel thus consumed must be regarded as an economic waste, as it has been demonstrated that cotton textiles and other finished articles can be equally well produced in proximity to the source of raw materials. This being true, there can be no economic justification for moving the raw materials of manufacture or the food products required to feed operatives in countries remote from the places where the raw materials and food are produced. If, instead of shipping abroad the raw materials and food products of the United States, they were worked up into finished articles in this country, and if the food now exported was consumed by American workingmen, perhaps two-thirds of the coal now required to propel the ships plying between American ports and other parts of the world would be saved. The tonnage required to move finished articles from countries where raw materials are found in abundance to lands where they cannot be produced would be insignificant by comparison with that now employed in useless transportation. This illustration applies with varying force to the movement of products between other countries. The unnecessary shipment to and fro of competing articles, which is chiefly due to the failure of exporters of rude products to diversify their industries, is as much a feature of the intercourse between other nations as it is of the trade of this with other countries.

In 1897 the United Kingdom mined 202,129,931 tons of coal. Of this quantity 154,572,035 tons were retained for domestic consumption, 37,102,138 tons were exported

to foreign countries and 10,455,758 tons were shipped for the use of steamers engaged in the foreign trade. To segregate the quantities used for developing energy from those consumed for warmth and kindred purposes would be impossible, but it may be assumed that so much of the 154,572,035 tons as is employed in manufacturing textiles and other articles for export, which could be equally well made in the countries where the raw materials of manufacture are or could be produced, is sheer waste. All that proportion consumed in providing for the domestic comfort of workmen who would be more profitably employed if their services were made use of in factories situated near the base of supplies of raw and food products may also be set down as economic waste. In the same category must be placed all that part of the 37,102,138 tons shipped abroad, which goes to countries having coal measures whose inhabitants neglect or are unable to develop them because the superior equipment and great capital of the British coal miners make competition impossible. The 10,455,758 tons shipped for the use of steamers engaged in the foreign trade and for navies can be said to have been profitably employed only when it supplied the motive power for moving non-competing products. Great Britain occupies a pre-eminent position as a coal producer and exporter, but the illustration employed applies equally to other countries which in the same manner wastefully consume their stores of fuel.

This present wastefulness, attributable to the pursuit of a false economy which elevates immediate above permanent cheapness, necessarily entails future waste of human energy and fuel. The consequences of the blunder are only in part visited upon its perpetrators. In time to come, if a manufacturing industry is to be carried on in the United Kingdom the current of coal carriage must be reversed, and instead of mineral fuel being carried out of Great

Britain it will have to be brought into it. That country now ships coal to many parts of the world where it exists in greater quantity than in the comparatively limited measures of the British Isles. When these latter have been exploited to such an extent that they can no longer be profitably worked in competition with those of countries now occupying to England the relation of importers of coal, the movement of mineral fuel will be in the opposite direction.

When we consider that the British have for a long period been shipping coal to countries which have extensive coal measures of their own, and that the quantity exported at present nearly reaches fifty million tons annually, and that that rate of export promises to increase before the power of capital to artificially force out of the country its limited supplies of fuel is destroyed, we are enabled to form an impression, but a very inadequate one, of the extent of the waste involved in living up to the Cobdenite maxim of buying in the cheapest market.

If, at some future day, an economist with the statistical bias undertakes to show the wastefulness of the system which unduly stimulated external trade in competing products he will have no difficulty in doing so. He will be able to cite that during the period while the people of Great Britain were exporting coal the aggregate of their shipments amounted to billions of tons, and that when their mines were practically exhausted they were compelled to reverse the process and import mineral fuel. The figures thus presented will interpret themselves. They will admit of but one conclusion, and that is that the cheapness resulting from the system of unnecessary transportation was merely fancied, and that it involved irreparable waste and therefore a future dearness which the wit of man cannot mitigate.

Although the unnecessary and premature consumption of mineral fuel by a people like the British, caused by manu-

facturing articles for peoples capable of producing for themselves, affords the most striking illustration of the fatuity of the free trade system, it will not weaken the argument directed against economic waste to point out that the forced development of the iron and steel industry of Great Britain has brought about a similar result, the effects of which are already seen. While the United Kingdom remained supreme in this branch of manufacture her annual shipments of its products reached millions of tons. The advantages of superior equipment and greater capital which for a time enabled British manufacturers to export to countries whose resources in the shape of ores and fuel were immeasurably greater are rapidly disappearing. The iron and steel manufacturers of England are becoming more and more dependent upon the foreigner for supplies of ores, and the tide of products of iron and steel is beginning to set in toward the shores of Britain rather than away from them.

The consequences to the British, as a people, of this reflex action is fully considered in its appropriate place. Here, it is only referred to in order to impress on the economic student that it has resulted in the unnecessary dissipation of an enormous quantity of human energy and an irreparable waste of the world's stock of mineral fuel. Viewed in its broader aspect, trading which results in denuding a country of its supplies of fuel and raw material will always be regarded as improvident. Its outcome must necessarily be disastrous.

It is impossible to keep the lamp burning without oil. The history of industrialism shows that in the countries which cannot produce their own oil the flame of industry soon dies out. Where the consumption is unavoidable no blame can attach, but when it is prompted by greed for present gain it may be set down as a crime against posterity. When the industrial lamp of England goes out and the British people are left in darkness the historian will arraign

as fools "the blind leaders" of a blind people who deliberately shipped to lands far better supplied with mineral fuel and iron ores than were those of the exporters billions of tons of coal and hundreds of millions of tons of iron and the products of iron and steel.

Philosophers have amused themselves constructing theories to explain the origin of the family. The merely animal instinct of self-defense is generally conceded by them to have been the primary cause which brought about an organization which served as a foundation for rearing the structure of a highly complex civilization. When primeval man, impelled by instinct, formed the family group he could not have divined its far-reaching influence. It seems that modern protectionists, driven by the instinct of self-defense into formulating a system that permits them to maintain themselves in the struggle for existence which modern competition has engendered, are equally blind to the far-reaching consequences to mankind of their action. They do not see—at least many do not—that the instinct of banding against aggression has called into existence economic methods which tend to promote universal progress.

Had not this instinct been planted in the human breast the process of evolution would be infinitely slower than it is. Had Great Britain, to confine our observations to comparatively recent times, accepted the theory which the Dutch might have advanced when England was little better than a pastoral country, that the true interests of Englishmen would be promoted by confining themselves to the production of raw wool and exchanging it for the cheaply made cloths of the Flemings, the weaver might still be plodding at his hand loom and the names of Watt, Hargreaves and Arkwright might have been unknown to the world. Had Americans accepted the dictum of the Cobdenites, that it is wisdom to buy in the cheapest market, no McCormick or Edison would have been heard of in the United States.



It has been the aim of the writer to develop the idea that the desire for industrial independence which has called into operation the system of protection is almost wholly responsible for the marvelous strides toward universal integration which have been witnessed in modern times, and to show that the acceptance of the theory of buying in the cheapest market would have resulted in paralyzing endeavor throughout the greater part of the habitable world. To accomplish this purpose it has been necessary to briefly sketch the industrial history of England and show that the progress of that country and the commercial supremacy attained by it were wholly due to a well conceived and strictly maintained policy of protection, and that the concept of buying in the cheapest market never received its modern interpretation until Englishmen felt confident that they would be able to prevent rivals manufacturing for themselves.

The fact is also brought forward with as much force as the writer can command that the school of economists who have given form to the so-called free trade system were misled regarding the causes of the industrial supremacy which the British enjoyed for a considerable period. The blunders and inconsistencies of the advocates of the idea that some time about the middle of the nineteenth century the world had assumed fixed conditions which made it possible to assert that the people of one country were best fitted by nature to produce rude products, while other peoples were providentially endowed with the gift to fashion them into finished articles, have been exposed; and the logic of experience has been set against conclusions reached by *a priori* methods and the latter have invariably been proved unsound.

The parallel attempt to sketch the advances toward integration under protection and to point out and analyze the errors of writers who have been unable to see that the

system of present cheapness advocated by them must ultimately lead to dearness has prevented that orderly marshaling of facts and arguments which is always desirable. But while the narrative may occasionally lack continuity, it is hoped that the digressions are not serious enough to divert attention from the main purpose of establishing the fact that protection has an economic basis, and that it is unquestionably broadening the field of industrial development and concurrently bringing into the pale of heterogeneity nations which, had the free trade idea prevailed, must always have remained in that homogenous state which the historian and philosopher have alike agreed to think and speak of as a condition resembling barbarism.

If the demonstration that protection by encouraging the spirit of self dependence is turning the whole world into a workshop, thus eliminating the factor of unnecessary waste of human energy and fuel, is not complete, the purpose of writing the following chapters has not been accomplished. If the writer has not been able to show conclusively that the adoption of Cobdenism must have resulted in ultimate dearness he has missed his aim. But nevertheless, as the years march on, it will be seen that a system which elevated the consumer to the first place and which has made the middleman of more consequence than the producer has vital defects. Unless it can be shown that the value of commodities is enhanced by unnecessarily transporting them to and fro the Cobdenite policy of moving raw materials to one country to be manufactured, and thence distributing them over the world, can never be justified.

The porter fills a useful function, but no one will say that he makes the article he carries more valuable. The dishonest hackman who drives an ignorant passenger two or three miles out of his way to increase his fare may profit by the transaction, but the object of the extortion is not a gainer. The swelling army of middlemen composed of

transporters, factors, jobbers, etc., who are engaged in the unnecessary handling and hauling of products, perform no greater service to society than the "cabby" who charges his fare an extra rate for consuming his time in a purposely roundabout journey.

The promotion of free trade must inevitably result in wastefulness, because in the main its workings are analogous to the tricky operation of the cabman. It makes the consumer pay for unnecessary expenditures of energy. Whatever its professed purpose may be, Cobdenism's real object is to increase the wealth of the nation practicing it at the expense of society generally, and to further that aim methods have been advocated by professional economists that are no more defensible than the trick of the hackman. The extolled roundabout foreign trades and the lauded benefits of international exchanges have obscured the fact that true economy demands that producer and consumer be brought as close together as possible.

This is the purpose of protection, and the swelling figures of production, and its lessening of prices, show that it is being achieved. The great factor in the marvelous expansion of modern industry is national self dependence and its resultant economies. It is inconceivable that the world would be able to consume the tremendous quantity of products of iron and steel it does at present if it were dependent upon one or two nations for its supplies. It is by bringing the rolling mill close to the doors of the farmers of this and other countries and eliminating the waste of unnecessary transportation that they are enabled to use those articles freely. Had England remained the chief producer the British would have grown more wealthy, but American farmers and those of other countries would have used less iron and steel.

The conditions which have admittedly been brought about by protective tariffs can only be maintained by retain-

ing them. Nothing will have been gained by a nation if after laboriously building up a great industry it deliberately sacrifices it by entering upon a competition the terms of which can never be fairly adjusted. There can be no real economy in a country such as the United States, with its overwhelming superiority of resources of raw materials and its skillful artisans, importing iron products or textile fabrics. If any nation produces them more cheaply it is because its workingmen are willing to adopt a lower standard of living than Americans. That the desperate straits in which the peoples of some overcrowded countries find themselves will induce them to lower their standard of living and thus make future reductions in labor cost is more than probable. The chief function of a protective tariff is to guard against such a result and preserve the standard of living attained by workers within the boundaries of a nation, thus preventing them being reduced to a common level of degradation. The result, no matter how nominal prices may be affected, must be real cheapness, that cheapness which manifests itself in increased consumption and the enlarged enjoyment of the conveniences of an advanced civilization.

That protection is conducive to this end the writer hopes to prove in the following pages, which have been written to show that the system has not fulfilled its mission by merely calling manufacturing industries into existence, but that it must be maintained to guard against the destructive effects of the growing tendency of nations producing in excess of their needs to dump their surpluses upon foreigners. Justice to the producing population requires the intervention of an equalizing tariff, and in according this justice the prime object of a true economic policy will be subserved, namely, the elimination of wastefulness. That is the economic basis of protection, and it accounts for the virility of the system now generally adopted by the civilized world.

SAN FRANCISCO, January 5, 1899.

# CHAPTER I.

## GROWTH OF ENGLISH INDUSTRY.

### SKETCH OF THE EARLY INDUSTRIAL ATTEMPTS OF THE BRITISH PEOPLE.

Simon de Montfort's essay at protection in 1264—Aspirations for industrial independence and liberty go together—Edward III and his protective efforts—Immigration of skilled Flemings into the realm during his reign—The rise of the English cloth trade causes the industrial prostration of Flanders—British agriculture did not prosper until manufactures were introduced in the islands—An agricultural country will remain permanently destitute of manufactures unless it resorts to artificial methods to stimulate them—Slow growth of English manufactures—The commercial element in the Puritan character—Effects of the Navigation Act—Control of the trade of the colonies through its adoption—Use of coal in smelting iron a great stimulus to industry—Growth of English industry more rapid before than after the repeal of the corn laws—Great Britain's industrial primacy during the Napoleonic wars—Free trade fallacy exposed by comparison of England's position before and after 1846—The prostration of British industries in the '40s due to overproduction—Origin of the theory of the cheap loaf and the world's workshop.

In the second volume of Nicholson's "Principles of Political Economy," which may be said to present the revised opinion of the professional economists of England on the subject of free trade, we find the admission that the adoption of the system by the United Kingdom "in the sense of extreme *laissez faire* was due to the force of events rather than to the force of reasoning."\* The author also tells us that "free trade finds its strongest support in the direct

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\*Nicholson, Principles of Political Economy, Vol. II, p. 249.

appeal to complex experience rather than in the statements of first principles."\*

Those familiar with the literature of the subject will recognize that this attitude of the Edinburgh professor differs strikingly from that of the teachers of the Manchester school who have formulated theories which have for a long time been accepted by millions of people in and out of England as perfectly sound, despite the fact that most of them have refused to work well in practice.

In this and the succeeding chapters an effort will be made to trace the growth of these theories and to examine the causes which led to their acceptance. To do this it will be necessary to briefly outline the economic history of England during preceding centuries in order to show the industrial status of that country at the time of the abrogation of the corn laws and to determine what causes contributed to make the people of an island, not over-endowed with natural resources, the wealthiest on the globe.

The material for such an investigation as that proposed exists in overwhelming abundance, and much of it is of such a character that when presented it will be accepted without challenge, consisting, as it does, almost wholly of statements and admissions made by English historians and those of economic writers who have advocated "Cobdenism," a term which will frequently be employed alternatively with that of free trade in the following discussion.

The first attempt at protection in England was made as early as 1264 by Simon de Montfort during the Barons' war. He forbade any cloth to be worn that was not of English make. It is significant that this statesman was regarded by the people of his time as the champion of liberty, and historians are agreed that he brought about "a constitutional change of mighty issue" in English history. It was through his instrumentality that the merchant and

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\*Nicholson, Principles of Political Economy, Vol. II, p. 270.



the trader were first summoned to sit beside the knight of the shire, the Baron and the Bishop in the Parliament of the realm of England.\*

It is not surprising that this English patriot, who so greatly enlarged the bounds of liberty, should have advocated protection, and on the distinct ground that the British people should develop their own resources, and so far as possible render themselves independent of foreigners. The troubled conditions of the times may have helped impel his mind to such a policy, but it is more than probable that it was observation of the fact that the foreigner was powerful because he utilized his resources which prompted Sir Simon to the course he pursued.

The times following the death of Simon de Montfort and the accession of Edward III were troublous, but much was accomplished for freedom. "Under the first Edward the Parliament had vindicated its right to the control of taxation; under the second it had advanced from the removal of Ministers to the deposition of a King; under the third it gave its voice on questions of peace and war, controlled expenditure and regulated the course of civil administration."† Concurrently with the growth of these civil and political rights the idea began to prevail that it was a senseless proceeding for Englishmen to grow wool, ship it to other countries and have it returned to them in the shape of manufactured cloth. The seed sown by Simon de Montfort was beginning to bear fruit. The national feeling was growing stronger and stronger and many efforts were made to promote the development of the resources of England. The exportation of sheep was forbidden and Englishmen were not permitted to wear foreign cloth without special license from the King. This was in 1338, under Edward III. About this time that monarch invited a number of Flemings

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\*Green, History of the English People, Vol. I, p. 301.

†Ibid, Vol. I, p. 416.

skilled in the art of making cloth to make their homes in England, and to encourage the industry which he sought to establish heavy export duties were imposed on wool, the object being to make it cheaper at home and dearer abroad.

This method of bringing about the desired result does not commend itself to modern protectionists, but it must be recalled that at this time England was one of the chief sources of the raw material required by the manufacturers of Flanders and that the idea was prevalent in that country and in England that English-grown wool was incomparably superior to any other. Time has shown that the assumption was fallacious, but the evidence is incontestable that the purpose of Edward was achieved.

A carefully prepared sketch of the early history of the English woolen industry, by W. J. Ashley, a fellow of Lincoln College, opens with the statement that "the history of English wool and cloth explains the origin of the wealth of England and illustrates with peculiar clearness the development of industry,"\* an assertion which he follows with conclusive proof that the policy inaugurated by Edward III was one of the chief causes "of the destruction of the Flemish industry and the rise of the English cloth trade in the sixteenth and seventeenth centuries."

It would be impossible to even glance at all the results which followed the conscious efforts of English statesmen to diversify the industries of the realm. To do so would involve rewriting the history of England for the past five centuries; but in order to make it clear that the present wealth of Great Britain is unquestionably due to the policy of protection it will be well to point out that prior to the introduction of the Flemish weavers by Edward there was absolutely no progress and that the condition of the British people was in many respects deplorable. Although the population of the island at the time of Edward's accession was

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\*American Economic Association Publication.

not less than two and a quarter millions\* the inhabitants were steeped in poverty.

A distinguished English writer, the gifts of whose intellect were devoted to the discovery of theories to support the contention that the prosperity which followed the abrogation of the corn laws was due to this change in the incidence of British taxation, has made an exhaustive study of the stationary condition of the English people during the middle ages and has furnished much evidence to support his opinion that it was due to failure to improve the arts of agriculture. It is not difficult, however, to detect that this failure was a secondary cause and that the primary one was the neglect of other and more important resources of the island. Had the English, between 1377 and the close of the sixteenth century, been energetic in all fields of industry the writer we quote would not have been called upon to record "that for upward of two centuries, just as there had been no improvement in the art of agriculture, so there was no increase in population."†

The same writer and other English economists have made it tolerably clear that the improvement of agriculture is in a large degree dependent upon the growth of manufactures and that it is always in a more forward state in those countries in which the mechanic arts flourish. Arthur Hassall, writing of the beginning of the eighteenth century, tells us that "wherever trade developed in Europe the condition of the agricultural classes improved and an independent, wealthy and intelligent middle class grew up which supplied to the various countries many admirable financiers, administrators and soldiers."‡ Adam Smith, whose views regarding the state of agriculture in England differ from those expressed by Rogers, asserted that the cultivation of the land in England in his time was in a more forward state

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\*Rogers, *Economic Interpretation of History*, p. 48.

†*Ibid.*, p. 49.

‡Hassall, *European History 1715-1789*, p. 5.

than that of France,\* and he pointed out that it was important that the capital of manufacture should reside within a country, because "it necessarily puts in motion a greater quantity of productive labor and adds a greater value to the produce of the land and labor of society."† Mill lays it down as a general proposition that "a country will seldom have a productive agriculture unless it has a large town population,"‡ and he attributes the relatively inferior agricultural productiveness of India to its comparative lack of large towns and cities. §

On the whole, therefore, we must conclude that while the later improvement of agriculture in England, which Professor Rogers notes, undoubtedly permitted the expansion of population, that improvement was due chiefly if not wholly to the extension of manufactures, which, in turn, called into existence a growing commercial class. As commerce and manufactures expanded the condition of the agricultural classes improved, and it continued to do so until the British adopted the policy of stimulating manufacturing at the expense of the tiller of the soil.

The slow growth of manufactures and trade in England after the policy of protection had been resolved upon exhibits the great difficulty experienced by a people in changing the course of industry and disputes the assumption that a population wholly devoted to agriculture will, in the face of an active competition and without artificial aid, ultimately develop a system of manufactures for itself. As already noted, the practical beginning of manufacturing in England may be dated from the beginning of the fourteenth century. One hundred and fifty years later, or about the time of the discovery of America, the product of British manufactures was only valued at £1,000,000, or a trifle over

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\*Smith, *Wealth of Nations*, Book III, Chap. IV.

†*Ibid.*, Book II, Chap. V.

‡Mill, *Principles of Political Economy*, Vol. I, p. 162.

§*Ibid.*, p. 163.

5 shillings per capita. But great oaks grow from small acorns, and while that planted by Simon de Montfort and watered by Edward III and other sagacious sovereigns, who, like Elizabeth, were guided by the advice of shrewd statesmen, increased in girth and height, but slowly it eventually became a mighty monarch in the forest of industry and for a long time threatened to overshadow and exterminate, root and branch, the trade trees planted by rival nations.

That the growth of English trade and manufactures was in no sense a natural one every reader of history must be aware. Few writers make the fact perfectly clear, but those who care to read between the lines can see that the animating spring of all British political movement after the fifteenth century was trade. The Reformation was in a certain sense as much a struggle for commercial supremacy as for religious freedom. One cannot help noting the admixture of political economy and religion in such writings as the "Constitutional Documents of the Puritan Revolution" and Fuller's "Church History," and he who only sees the sentimental side of Oliver Cromwell's character fails to recognize the qualities that entitled him to a niche in the temple of fame as a great statesman; one who was considerably desirous of advancing the material interests of the people whose destinies he controlled.

A letter written in 1659 by Samuel Lamb, a prominent London merchant, to Cromwell, and afterward published as a pamphlet, shows the trend of Puritan thought in England at this time, and how largely it was filled with the idea that in order for a people to truly appreciate the beauties of religious freedom they must be afforded the opportunity to increase their stores of wealth.\* Sir Joshua Child, in a treatise published in 1690, found as much to admire in the mercantile system of the Netherlands as he did in the religious teachings of the Dutch scholars. His book is

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\*Lord Somer's Tracts, Ed. by Sir W. Scott, Vol. VI, p. 446, etc.

filled with advice to his countrymen, upon whom he urges the necessity of imitating the Holland virtue of honesty in commercial dealings as well as their theology if they desire to become great.\*

The policy of stimulating shipping, so highly extolled by Smith, who says: "As defense is of much more importance than opulence, the act of navigation is perhaps the wisest of all the commercial regulations of England,"† was borrowed from the Dutch during the sitting of the Long Parliament, but it is doubtful whether there is any ground for the assumption that its adoption was inspired by the animosity existing between the Hollanders and English. There is too much evidence of the kind referred to above to forbid any other explanation of the English resort to the system than a desire to secure for England the commercial advantages which the Dutch had derived from a similar law and which Englishmen were observing with growing jealousy.

But the motive need not be inquired into so narrowly, as we are merely concerned with the results. That they were excellent Smith testifies, for he says "the regulations of this famous act are as wise as if they had been dictated by the most deliberate wisdom. National animosity at that particular time aimed at the very same object which the most deliberate wisdom would have recommended, the diminution of the naval power of Holland, the only naval power which could endanger the security of England."‡

The English economist assumes that the chief part played by the navigation act was to promote the national defense, but those familiar with the history of the British trade with the American colonies assert with positiveness that such a measure was essential to its preservation. "Throughout the greater part of the seventeenth century the people of Holland were larger producers of certain kinds of manufac-

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\*Child, *A New Discourse on Trade*.

†Smith, *Wealth of Nations*, Book IV, Chap. II.

‡Ibid.

tured articles than the people of England and were in a position to sell at lower figures. As long as the English and Dutch merchants stood upon equal footing in the colony (the writer quoted from is here speaking particularly of Virginia) the English had to conform to the prices of the Dutch in disposing of their cargoes in Virginia, and from this fact the population reaped a decided advantage in their supplies. The exclusion of the Dutch (by the act of navigation) signified that thereafter the English trader was restricted by competition only with men of his own nationality in fixing prices."\*

That the navigation act proved an important aid to the extension of English commerce we learn from other sources. Rogers tells us that "the beginning of the trade in English manufactures is to be found in the trade relations between this country (England) and the American Plantations \* \* \* and that the most important factors in that trade were tobacco and rice."† Up to the time of the passage of the act the Dutch were successfully dealing with the colonists, and, by offering manufactured wares more cheaply than the English, were threatening the trade of the latter. The exclusion of the Dutch gave the British a complete monopoly of the sale of manufactured goods in the plantations, and eventually choked off the disposition which had once manifested itself among the colonists to pursue a course of self-helpfulness.

How completely the business of supplying the early Virginians was engrossed by British traders after the navigation act gave them absolute control may be inferred from the statement that the hides of animals killed in the plantations were shipped to England, while shoes were imported from that country, and that in spite of the fact that the forests of the colony abounded in an infinite variety of woods the

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\*Bruce, *Economic History of Virginia*, Vol. II, p. 376.

†Rogers, *Industrial and Commercial History of England*, p. 397.

colonists were in the habit of obtaining from England their chairs, tables, stools, chests, boxes, cart wheels and even their wooden bowls and birchen brooms.\*

The reference to the colonizing of Virginia reminds us that it was prompted by the expectation that the new plantations would furnish the mother country with a vast supply of raw iron. The demand for manufactured iron was rapidly increasing in England at the time the plantations were established, but the ability of English furnaces to meet it was declining on account of the diminishing quantity of fuel provided by the English forests. The existence of large bodies of coal in England was already known, but it was not until the middle of the eighteenth century that a process of smelting iron with this species of fuel was devised which proved effective.†

Up to this latter time the English manufacturer depended almost exclusively for his supplies of raw iron on the Biscayan and Swedish forges, the efforts to open mines in Virginia having failed. It is doubtful whether a ton of iron of English or Scotch manufacture was exported until after the first half of the eighteenth century. But about this time the discovery that coal would serve as a smelting fuel revolutionized the aspect of the iron trade, and it was the free utilization of the discovery in conjunction with the artificial efforts to stimulate external and preserve the home trade that soon placed England at the head of industrial Europe.

That the English under certain circumstances might have continued dependent for a long time upon the Biscayan or Swedish forges for the limited supplies of iron required by them is quite certain. Had they permitted their country to remain in a state little better than pastoral, with no other ambition than to provide wool for the Dutch to fashion into

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\*Bruce, *Economic History of Virginia*, Vol. II, p. 398.

†Green, *History of English People*, Vol. IV, p. 1732.

‡Rogers, *Industrial and Commercial History of England*, p. 397.



fabrics, it is very probable they would never have made the experiments which resulted in the utilization of their coal measures. The lethargic condition into which all purely agricultural and pastoral peoples fall would have made innovation impossible.

The discovery of the availability of coal as a smelting fuel was due to the trading instinct which was aroused by the encouragement of manufactures, and in its train followed an invention of equal, perhaps of greater, importance. It was the revelation of the value of coal as a means of providing mechanical energy which enabled Watt in 1765 to transform the steam engine into the most wonderful instrument which industry has ever had at its command. Green says "the innovation came at a moment when the existing supply of manual labor could no longer cope with the demands of the manufacturers," and he rightly holds that the three inventions within the space of twelve years—that of the spinning jenny in 1764 by the weaver Hargreaves, the spinning machine in 1768 by the barber Arkwright, and of the mule by the weaver Crompton, and the loom which followed not long after—were the natural results of the discovery of the valuable heat-giving property of coal.\*

The tremendous industrial strides made by the English after the introduction of these remarkable aids to industry is testified to by all historians, no less emphatically by those who are affected by the free trade bias than by protectionists, but it has been the custom during recent years for English writers to give undue prominence to the expansion of trade and manufactures since the repeal of the corn laws. Truth, however, demands that they should occasionally bring into relief the conditions which existed prior to 1846. Whenever this is done it will be seen that England occupied a more dominating commercial position before than since that date.

The historian Green is authority for the assertion that at

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\*Green, *History of English People*, Vol. IV, p. 1732.

the time of the great Napoleonic wars the pervasiveness of English manufactures was such as to virtually nullify the political movements of enemies. Speaking of the paper blockade, he says: "It was impossible even for Napoleon to do without the goods he pretended to exclude; an immense system of licenses soon neutralized the decree; and the French army which marched to Eylau was clad in greatcoats made at Leeds and shod with shoes made at Northampton."\* Properly interpreted, this means that during the early part of the present century the rest of the civilized world was largely dependent on England for its supplies of manufactured articles.

By artificially stimulating her various industries Great Britain had early attained a commanding position. Her protective tariffs had multiplied factories throughout the islands and her navigation act had covered the sea with her fleets. The coffers of her merchants were filled to overflowing, their prosperity being directly due to the system which had been consistently followed for five centuries. But superficial free trade writers, disregarding the evidence that it was protection which made the subsequent career of England possible, have assumed that it was the repeal of the corn laws and others changes in the incidence of taxation which made her the wealthiest nation in the world.

The assumption that the commanding position achieved by Great Britain is due to free trade cannot be successfully than it is today. If the circumstances are properly considered it will be seen that the Cobdenites are no more entitled to claim that their policy brought about the industrial conditions existing in England than the inheritor of a great estate would be privileged to assert that he is the architect of his own fortunes.

In 1830 the population of England had already reached 24,000,000; her foreign commerce was valued at £88,000,000

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\*Green, History of English People, Vol. IV, p. 1805.

and the output of her manufactures aggregated £67,000,000. In 1841 the £88,000,000 of British external trade had increased to £110,000,000. That it showed signs of lassitude after that year can hardly be attributed to the working of the protective system which had built up the great manufacturing industry which permitted the enormous expansion of commerce noted. The falling off, or, rather, the stationary stage, was due to overproduction occasioned by the incapacity of the customers of the British manufacturers to absorb their products. It was this apparent inability of foreigners to consume which gave rise to the idea that if the cost of production could be still further reduced in England the outside world would be able to take larger quantities of British products.

Accordingly, it was suggested that by reducing or entirely abolishing the duties on corn the English artisan would always be supplied with cheap bread. This, it was assumed, would permit the manufacturer to pay a low wage to his working people and enable him to produce more cheaply than any competitor possibly could. By adopting this course it was supposed that the new countries which might under certain conditions aspire to manufacturing rivalry would be effectually barred from the contest. By progressive stages this idea was expanded into the theory that England was fitted by nature to be the world's workshop and that the rest of mankind would be more benefited by depending upon the skill and resources of the British than by developing their own.

The extraordinary blunders into which this fallacious expectation led the philosophers, economists and other English writers will be referred to more extensively in another place ; here it is merely desired to point out that such an idea could never have occurred to the English had they not by the means outlined in the preceding pages created an enormous manufacturing industry by resorting to methods which they subsequently sought to bring into contempt in order to dis-

suade other people from imitating them and profiting by the imitation.

That the effort partly succeeded the student of economic history is aware. The means adopted by the propagandists of the free trade idea were numerous, but none accomplished its purpose better than the misrepresentation deliberately resorted to in order to completely disguise the fact that England had become prosperous by artificially promoting manufactures. In the following chapter an attempt will be made to show the extent to which history was perverted and how unblushingly the teachings and writings of the earlier English economists were distorted in order to convince a credulous people that their predecessors, who had created a vast and profitable industry and made their country the wealthiest on the globe, entertained views of which children might well be ashamed.

## CHAPTER II.

### BALANCE OF TRADE THEORY.

#### FREE TRADE MISREPRESENTATION OF THE VIEWS AND OBJECTS OF THE MERCANTILISTS.

Cobdenites make a fetich of economics—Familiarity of the Mercantilists with the true functions of money—The views of Thomas Mun—His experience with the Duke of Tuscany—The real purpose of the Mercantilists was to develop internal and external trade and to promote home production—Smith, though a critic of the Mercantilists, held practically the same views regarding money as the objects of his criticism—The effects of the introduction of abundant supplies of money described by the Scotch economist—Influence on Smith of Montesquieu's "Spirit of the Laws"—The Frenchman's prediction regarding the future part to be played by credit—Professor Nicholson's estimate of the Mercantilists—The balance of trade theory—It is held to be sound by practical men, though denied by scholastic economists—The blunder of a professional statistician—The adverse and favorable trade balances of the United States—Export and import tables show the relations of debtors and creditors—England's prosperity due to following the advice of eminent Mercantilists.

It seems incredible that economic writers should have attempted to misrepresent the opinions of their predecessors in order to insure a favorable reception for their own doctrines, but it is impossible to escape the conclusion that the Cobdenites are amenable to the charge of having done so. The only possible excuse or, rather, explanation that can be offered for this singular course is that the writers of the Manchester school very early in the discussion became so enamored of their ideas that they made a fetich of them.

They ceased to view matters from the standpoint of practicality and attempted to make everything square with their theories. No matter how illy their system worked, with the intolerance of theologians they demanded that it should not be questioned.

It is a matter of record that an English Prime Minister told a delegation of hop-growers who waited upon him with representations that their industry was being ruined by foreign competition that he could not consider their case because to do so would involve the commission of an economic heresy. The subsequent course of the official alluded to raises the suspicion that he employed the term heresy sarcastically, but the average Cobdenite accepted him seriously and has always been disposed to look upon any one who ventured to question the arguments in favor of free trade very much as a pious divine regards a man who rejects the teachings of his church.

The natural results of such an attitude are misconception and misrepresentation; therefore we are not surprised to find men whose understanding seems perfectly clear except when under the blighting influence of Cobdenism, making statements which are denied by the teachings of history and every day experience.

A striking illustration of this tendency to pervert is found in the writings of one of the most distinguished champions of the later English economic system, selected on account of his efficiency and devotion to the cause to write the sketch of free trade which finds a place in the latest edition of the *Encyclopædia Britannica*. In this article the writer attempts to account for the adoption of the protective system by making a statement which has absolutely no foundation. He says: "But there are in most countries a number of industries the continuity of which governments have attempted and still attempt to promote by hindering the free entrance of foreign-made articles of the same kind. *It will be found that, historically, this practice has had its*

*origin in what is now understood to be a delusion as to the true functions of the currency.”\**

That there may be abundant evidence pointing to the existence of a belief among the earlier protectionists of England that a favorable balance of trade tended to provide the people with an abundance of needed specie no one will deny; but that such a belief displayed ignorance of “the true functions of currency,” or that it indicated that protective measures were originally resorted to for the purpose of securing supplies of the precious metals cannot be demonstrated.

In the light of later investigations it appears that the adherents of the so-called mercantile school had a far better knowledge of the true functions of money than their Cobdenite critics, who have made the blunder of relegating the mechanism of exchange to an inferior position, although the evidence of history and contemporary observation show conclusively that it not only deserves to but actually does occupy the foremost place in the commercial transactions of mankind.

The Britannica essayist says: “The control of production and trade in modern Europe is historically due to the development of what Adam Smith called the mercantile system, *i. e.*, the effort of Government to secure as far as possible the largest amount of specie within the country whose affairs it administered.”† This is certainly a most superficial view of the motives of the adherents of the so-called mercantile theory and suggests the idea that the writer who entertained it did not seriously investigate the subject he discusses in this off-hand fashion.

It would be impossible to derive any such impression of the mercantilists as Rogers seeks to convey, from Thomas Mun’s “English Treasure by Foreign Trade,” referred to by Adam Smith in his “Wealth of Nations” and termed

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\*Rogers, Article on “Free Trade,” Ency. Brit.

†Ibid.

by McCulloch in his "Literature of Political Economy" the earliest expositor of what has been called the mercantile system of commercial policy.

Mun's treatise was probably written and privately circulated about 1630, and made its first appearance in print in 1664, his son causing its publication some years after his father's death. An excerpt or two from its pages will show in the most convincing fashion that the author had no delusions regarding the true functions of money, but, on the contrary, held views which are indorsed by the business men of all the great modern commercial nations of the world, although they are sneered at by some professional political economists.

Discussing the effect of an excessive quantity of money within a kingdom on prices Mun observes that "although this is a very hard lesson for some great landed men to learn, yet I am sure it is a true lesson for all the land to observe, lest when we have gained some store of money by trade, we lose it again by not trading with our money."

He then, by way of illustration, proceeds to the relation of a personal experience with the Duke of Tuscany, from whom he had borrowed 40,000 crowns gratis for a whole year, although the Duke knew that he would employ the money thus borrowed for the purpose of purchasing wares not in Tuscany, but in Turkey. This generosity of the Duke of Tuscany, according to Mun, was extended to other merchants, the enlightened Prince understanding perfectly that the money would in the course of trade return to the country from which it was shipped. As a consequence of his policy, Mun tells us, "the said great Duke of Tuscanie and his subjects" were much enriched by the continual great concourse of merchants from all the states of the neighbor Princes, bringing them plenty of money daily to supply their wants of the said wares. "And thus we see," he adds, "that the current of merchandize which carries away their



Treasure, becomes a flowing stream to fill them again in a greater measure with money.”\*

It is doing violence to truth to say that the views of the mercantilists thus outlined bear the remotest resemblance to the descriptions of them furnished by Smith, Rogers and others. They do not indicate a desire on the part of the mercantilists to secure money for its own sake, or a dullness of perception concerning its true functions. On the contrary, the evidence is overwhelming that the mercantilists clearly recognized the importance of the precious metals as a medium of exchange and that their policy was to secure them in abundance in order to stimulate internal and external trade.

The rebuke administered by Mun to the landed gentry of his time, who were disposed to hoard, shows that the failing was not shared by alert merchants of the mercantile school who took good care when they “gained some store of money by trade” it should not be lost by failing to trade with it.

Although the mercantilists laid great stress on the value of money as a mechanism of exchange it can hardly be truthfully affirmed that their policy revolved about its acquisition. It would be as great a mistake to assume that the shrewd modern merchant or banker whose life is devoted to making money in piling up a fortune is simply aiming at the control of a greater or less number of gold pieces as it is to suppose that the mercantilists, in advocating that a country should sell more than it buys, had in view the absurd purpose of bringing into the country in which they lived a vast quantity of specie to lay it away in idleness. The nineteenth century business man whose daily talk and thoughts are of making money does not desire it for its own sake and usually does not retain it after he has acquired it. Unless he is a miser he sees to it that it continues to perform

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\*Meen, *Treasure by Foreign Trade*, pp. 24, 25.

its functions as a measurer and exchanger of values. This, according to the testimony cited, was also the aim of the mercantilists.

It is rather singular that writers who aim at reducing economics to an exact science should permit themselves to be deceived by expressions, when the opportunities for studying the true motives of men are so abundant. If Professor Rogers had carefully analyzed the views of Adam Smith regarding the functions of money he would speedily have discovered that those of the eminent Scotchman did not differ materially from those held by the mercantilists. The latter, as Mun expressly declares, sought to replenish their stocks of the precious metals in order that the work of exchanging products might be facilitated. That an increased stock of money is required to accomplish such an object Smith admits in numerous parts of his great work. In one place he tells us that "when the wealth of any country increases, when the annual product of the labor becomes gradually greater, a greater quantity of coin becomes necessary to circulate a greater number of commodities."\*

As England did not produce the precious metals, obviously her only course was to obtain a supply of them by trading; and it is equally clear that unless the English had sold more than they bought it would have been impossible for them to add to their stock of coin. Had they imported more merchandise than they sold they could not have prevented the diminution of their supply of metallic money.

If the theory of the mercantilists was at fault Smith must have been equally astray, for although he may have arrived at his conclusions in a different fashion there can be no question that he was just as profoundly impressed with the importance of money as a medium of exchange as the most extreme exponent of the ideas of the mercantile school.

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\*Smith, *Wealth of Nations*, Book I, Chap. XI.

Not only does Smith carefully indicate the necessity of maintaining abundant supplies of coin for the purposes of promoting internal trade, but he also, in almost the same terms as Mun, points out that it is highly desirable for a nation engaged in what he calls the round about foreign trade to secure plenty of the precious metals. In a passage, explaining the peculiar value of the trade of Portugal to England, he says: "The great annual importation of gold and silver is neither for the purpose of plate nor of coin, but of foreign trade. A round about trade of foreign consumption can be carried on more advantageously by means of these metals than of almost any other goods. \* \* \* In facilitating all the different round about trades of consumption which are carried on in Great Britain consists the principal advantage of the Portugal trade; and though it is not a capital advantage, it is, no doubt, a considerable one."\*

Adam Smith appears to have had no doubts about the effects of the introduction of fresh supplies of the precious metals into Europe. He noted that "since the discovery of America the greater part of Europe has been much improved. England, Holland, France and Germany, even Sweden, Denmark and Russia, all advanced considerably both in agriculture and manufactures;"† and in other places he minutely describes the changes which resulted from the injection of vast quantities of silver into the existing stocks, invariably assuming that the effect was to stimulate trade whenever those who obtained the metal were sagacious enough to use it as a medium of exchange instead of hoarding it, as some foolishly did, or of diverting it from its proper use, as was done by Spanish grandees who consumed it in ostentatious displays of plate and other forms of ornamentation.

It would have been extraordinary had Smith taken any

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\*Smith, *Wealth of Nations*, Book IV, Chap. VI.

†*Ibid*, Book I, Chap. XI.

other view of the important part played by money than that which we find expressed by him in his "Wealth of Nations." The Scotchman was undoubtedly a close student and admirer of Montesquieu and followed many of his speculations closely. The celebrated "Spirit of the Laws" was a new book when Smith was revolving in his mind the project of an English work on economics, and there can be no question that the Frenchman's ideas influenced the author of the "Wealth of Nations."

It has been sought to convey the idea that Smith owes nothing to Montesquieu, and in support of the assumption the fact that toward the close of his life he was working on a critique of the "Spirit of the Laws" is often cited, but this proves nothing.\* No one has ever contended that the Scotchman was not a strikingly original thinker. His book and lectures forbid such an assumption; but it is no unusual thing for men of great minds to frankly accept that which commends itself to them as sound; therefore we find Smith repeating in another, perhaps a better, form, statements and thoughts which had originally appeared in the "Spirit of the Laws."

There is much in the "Wealth of Nations" that suggests that this passage from Montesquieu made a deep impression on Smith: "The bullion drawn from American mines, and thence sent to the East, has greatly promoted the navigation of the European nations; for it is merchandise which Europe receives in exchange from America, and which she sends in exchange to the Indies. A prodigious quantity of gold and silver is therefore an advantage when we consider these metals as merchandise; but it is otherwise when we consider them as a sign, because their abundance gives an alloy to their quality as a sign which is chiefly founded on their scarcity." †

When the views of Smith on the subject of money are

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\*Ingram, History of Political Economy, p. 92.

†Montesquieu, Spirit of the Laws, Book XXII, Chap. VI.

examined in detail it will be seen that they follow those of Montesquieu closely, not only in recognizing the important part played by the metals in stimulating a round about foreign commerce but in their clear perception of the effect of quantity on prices. Montesquieu, in his "Grandeur and Decadence of the Romans," emphasized his conviction that the lack of the precious metals contributed to the ruin of the Roman State, an opinion which Smith accepted by implication, as he did also another striking deduction of the Frenchman that "when civilized nations are the mistresses of the world, gold and silver, whether they draw it from among themselves or fetch it from the mines, must increase every day."\*

There is no essential difference between this statement of the case by Montesquieu, and that of Smith, who tells us that "gold, like every other commodity, is always somewhere or other to be got for its value by those who have that value to give for it."†

It would be absurd to assume that either of these thinkers when advancing this idea meant to carry the impression that gold and silver were desirable for their own sakes, because in other places they indicate clearly that the worst possible use that the precious metals can be put to is to devote them to meretricious ornamentation or to hoard them, and thus withdraw them from the channels of trade.

In order to still more firmly establish the proposition that there is no foundation for the assumption that correct ideas regarding the functions of money were first promulgated by Smith, the fact that Montesquieu clearly defined the nature of bank notes and divined the future of the credit system which would be developed by their use must be cited. He tells us that "the companies and banks established in many nations have put a finishing stroke to the lowering of gold

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\*Montesquieu, Spirit of the Laws, Book XXII, Chap. IV.

†Smith, Wealth of Nations, Book IV, Chap. VI.

and silver as a sign representative of riches; for by new fictions they have multiplied in such a manner the signs of wealth that gold and silver, having this office only in part, have become less precious. The public credit serves instead of mines, and diminishes the profit which the Spaniards draw from them.”\* Changing the terminology very slightly, Smith thus restated this idea: “When paper is substituted in the room of gold and silver money, the quantity of the materials, tools and maintenance which the whole circulating capital can supply can be increased by the whole value of gold and silver which used to be employed in purchasing them.”†

We may carry our investigations much further back than the days of Montesquieu or Mun and find that the value of banks and notes were comprehended by those who are supposed to have had no other working economic rule than that of bringing money into the State and keeping it after it had been secured. As early as 1659 Samuel Lamb addressed a letter to Cromwell in which he urged the foundation of a bank in England similar to that in operation in Amsterdam. This latter institution came into existence in 1609. At a much earlier period banks had been in existence in Italian cities, but the Dutch creation was on a much greater scale. It was established to meet the inconvenience arising from the circulation of currency from all parts of the globe and to accommodate merchants in their dealings. Any one making a deposit of gold or silver received notes for the amount, less a small commission, and these notes commanded a premium in all countries.

Lamb, perceiving the benefits conferred by such a bank and such a system of exchange, set forth the arguments in its favor at great length. It would puzzle the most acute opponent of the mercantile school to discover in this letter

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\*Montesquieu, *Spirit of the Laws*, Book XXI, Chap. XXII.

†Smith, *Wealth of Nations*, Book II, Chap. II.

any trace of the existence of a belief that would collide with the views of the most eminent bankers of the present day. Nowhere in its voluminous pages can any support be found for the curious assumption that the mercantilists of Lamb's time sought gold and silver for their own sake. On the contrary, every line shows a thorough perception of the fact that the writer regarded the precious metals as a mere instrument for promoting commerce, and that mankind would be most benefited by making that instrument as accessible as possible.

A modern economist who has devoted some attention to the question here reviewed tells us that "Adam Smith endeavored to show not that the nationalist aspirations of the mercantilists were unworthy, but that the devices adopted to gain their ends were almost in all cases useless or hurtful."\* He also tells us that while Smith "attacked both the ideas and methods of the mercantile system, it is to be observed that he was far from stating the principles of free trade in the simple and dogmatic form to which they were afterward reduced for popular consumption." But it seems to us that it is a case of the professional economists having deceived themselves rather than the vulgar.

There is reason for believing that the Scotch economist, who said he "thought it necessary, though at the hazard of being tedious, to examine at full length the popular notion that wealth consists in money, or in gold and silver,"† misdirected his efforts, and that he should have directed himself to the learned, for it seems that the latter have adopted more fantastic notions regarding money than the masses, who instinctively recognize that its true function is to facilitate the exchange of the products of industry.

There are notable exceptions among the later economists who have avoided the indiscretion of misrepresenting the

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\*Nicholson, *Principles of Political Economy*, Vol. II, p. 247.

†Smith, *Wealth of Nations*, Book IV, Chap. I.

mercantile system, but not many. The recent work of Professor Nicholson of Edinburgh University discusses the theories of the mercantilists in a reasonable manner. He says: "It does not appear to be a just criticism of this system to deal with it after the manner of Adam Smith. Money was recognized by the mercantilists as one of the most important instruments of exchange and thus of production. Mediæval progress in every part was associated with the adoption and extension of a money economy. Any scarcity of money at once checked development. A plentiful supply of money in the middle ages was as necessary for the national welfare as plentiful bank reserves are at present. The regulations which aimed at the prevention of the circulation of foreign money and provided for the immediate recoinage were justifiable, not merely for the lawful seigniorage claimed, but also for the preservation of the national coinage."\*

A proper consideration of this statement and of the fact that England was entirely dependent upon other countries for her supply of the precious metals will convince any thoughtful person that the middle age economic idea that it was necessary for the nation to sell more than it bought in order to maintain a currency was not an unsound one. And, although the facts are somewhat obscured by the resort to representative money, there is no doubt that the Middle Age view is tenaciously adhered to by the financiers of the England of today.

While some college professors, and others who ought to know better, speak derisively of those who contend that no nation can continue to prosper which persistently buys more than it sells, it is noteworthy that men of brains in the financial marts of Europe, and especially in the great money center of England, are constantly watching the trade reports in order to guard against the ill results of unfavorable balances. Professor Nicholson recognizes this when he says:

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\*Nicholson, Principles of Political Economy, Vol. II, p. 241.



“The case of foreign trade is of still greater importance, especially in such a country as England. Any excess of imports over exports (not accounted for by other elements of indebtedness) may create an unfavorable balance of trade. Although in one sense an unfavorable balance to importers is equally favorable to exporters, and therefore from the point of view of national gain may be so far disregarded in another sense, an unfavorable balance may mean such a foreign drain as to lead to a financial crisis.”\*

When we compare this judicious comment upon a subject which occupies the mind of the financial world of today with the crude observations of a professional statistician on the alleged workings of the mercantile theory in the United States, some idea is gained of the facility with which erroneous impressions are disseminated. Citing the figures of the external trade of this country Mulhall says: “The foreign trade of 1896 averaged only £5 per inhabitant, against £18 in the United Kingdom. It is manifest that trade has been cramped and hindered in all directions by the protective tariffs; these have had the effect of stimulating manufactures, but at an enormous cost to the American people. Suffice it to compare the aggregate of imports and exports for the last fourteen years, which shows that there has been a great excess of exports, or in other words, a ‘balance of trade’ largely in favor of the United States, a proof that the trade with foreign countries is on an unsatisfactory footing, viz.: imports 2104, exports 2351, surplus exports 248 millions sterling. The old fallacy of the mercantile system, which is still in force among protectionists, supposed that the value of surplus exports came back in bullion, but the official tables of the United States show the reverse.”†

He then proceeds to show that although our surplus exports during the fourteen years ending 1896 amounted to

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\*Nicholson, Principles of Political Economy, Vol. II, p. 226.

†Mulhall, Industries and Wealth of Nations.

£248,000,000, the excess of gold exports for the period 1871-1895 was £133,000,000, and these figures, he seems to imagine, conclusively dispose of the common sense assumption that nations, like individuals, cannot live beyond their means.

In this place no attempt will be made to confute Mulhall's assertion that trade has been "cramped and hindered in all directions in the United States by protective tariffs." That part of the discussion is reserved for another chapter, in which the statistician's own admissions will be employed to show that the expansion of American trade has been phenomenal compared with that of other countries. Here we shall merely examine Mr. Mulhall's conclusion that the course of United States trade completely demonstrates the fallacy of the mercantile theory and that our foreign trade is in an unsatisfactory condition because it shows a so-called favorable balance.

To dispose of Mr. Mulhall's arguments we need merely ask the question: Why is it that during the fourteen years referred to by him, although we sold £343,000,000 worth more of products than we bought, we are still obliged to part with large quantities of specie? To this question there can only be one answer. This anomalous condition of affairs existed during the period under review because during a previous period we had disregarded the teachings of common sense by borrowing heavily, thus mortgaging our future.

It will be noticed that Mr. Mulhall takes as a period for estimating excess of exports the fourteen years ending in 1896. Had he carried his investigations further back he would have discovered that there was a time in the history of our commerce when the imports exceeded the exports, and that in consequence we were stripped bare of specie. In the years between 1847 and 1874 there was an adverse balance against us of \$1,532,000,000.\* During these same

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\*United States Statistical Abstract, 1897.

years the product of our gold and silver mines reached \$1,447,588,000. According to the implication in Mulhall's observation on the mercantile system this made no difference to the country and did not affect the national welfare, but those who know the sacrifices made to obtain specie after the breaking-out of our Civil War hold a different view.

Americans understand clearly, if Mr. Mulhall does not, that the excessive exports of products now witnessed must be made to meet obligations incurred during the period when we imported more than we exported and to pay interest and dividends on investments made in this country by Englishmen and other foreigners who advanced to us, not specie, but merchandise.

Does Mr. Mulhall fancy that if the conditions which existed until 1874, and even later, had continued down to the present day that the people of the United States would be in better condition than they are at present? Suppose instead of the excess of exports over imports of £248,000,000 since 1880, to which Mulhall refers, there had been \$1,240,000,000 more goods imported into the country than were exported, or to put the case as strongly as possible let us assume that the excess of exports since 1874, which amounted in round figures to \$2,500,000,000, had been an import excess, what would be our position today? Would it not be one of absolute dependency upon foreigners? And ultimately would it not have resulted in a permanent excess of exports over imports? Is it conceivable that the foreigner would have gone on forever putting more into the country than he took out of it?

It is extraordinary that writers of the school to which Mulhall belongs are incapable of perceiving that under present conditions tables of exports and imports are the indices of the relations of creditors and debtors rather than a mere record of exchange of commodities. The fact that the United States is obliged to part with merchandise to the value of over \$250,000,000 in a single year more than she

receives in return in the shape of merchandise or bullion clearly indicates one of two things, either that she is placing other peoples under obligation to her or that she is repaying obligations already incurred.

There is no doubt that the latter is the case. The evidence is overwhelming that we are heavily indebted to foreigners, especially to Englishmen. The extent of our obligations cannot be definitely determined, but the aggregate is vast. But the United States is not the only debtor country. If it were it would be impossible for Great Britain to continue year after year importing hundreds of millions of dollars worth more of merchandise than she exports. The fact that in a single year the adverse balance of trade against the United Kingdom exceeded \$650,000,000 is conclusive evidence, not that English trade is in a healthy condition but that some time in the past she loaned money or goods from which loans she is now receiving returns in the shape of interest paid in merchandise, or that the principal is being repaid.

Conversely, the excess of American exports over imports shows that trade is in a healthy condition and that we are paying our interest and perhaps part of the principal of what we owe and refusing to incur further obligations. In short, instead of the trade conditions of the United States furnishing a refutation of the theory of the mercantilists that an adverse balance is something to be avoided, it confirms its soundness by establishing the fact that the nation which attempts to disregard the maxim that more must be produced than is consumed in order to create wealth will certainly come to grief.

The assaults on the mercantilists have not been confined to misrepresentations of their views concerning the balance of trade. There has also been a consistent attempt to create the impression that their object was to cut off all external trade, the implication being that they were foolish enough to imagine that benefit would result from such a course.

Even so fair a writer as Cunningham, in his effort to state in a concise form the opinions held by the predecessors of Cobden, helps to add to this false impression when he tells us that "the mercantilists, like the bullionists, aimed at increasing the treasure in the country, but they adopted entirely different measures to this end. Instead of trying to legislate directly for the precious metals, they held that, by legislating for the trade in commodities, they could induce conditions in which the precious metals would naturally flow into this country (Great Britain). If we sold a large quantity of goods to other lands, and bought very few of their products, they would be bound to pay us a balance in bullion. Hence it appears that by using expedients to limit the quantity and value of our imports, and to increase the value and quantity of our exports, there would be a balance of trade which could only be defrayed by payments in bullion from abroad. And thus recast, the effort to procure treasure ramified out in many directions, but it should not be forgotten that the fundamental reason for desiring bullion was the political one of acquiring treasure. Those who were most decided about the advantage of procuring treasure were equally clear that gold and silver were only valuable by convention and not in their own nature; and in so far as mere economics were concerned, there was no tendency to regard bullion as a specially important form of riches or wealth."\*

Here we have a frank statement that the mercantilists were not possessed by the vulgar notion that money is the most desirable form of wealth, and a qualified admission that they were not entirely wrong in assuming that it was good policy for a nation to obtain a store of treasure, but Cunningham was manifestly in error in asserting that the mercantilists aimed at restricting all kinds of imports in order to bring about such a result.

As the exponents of the theory criticised by Cuning-

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\*Cunningham, *Outlines of English Industrial History*, p. 128.

ham and other free traders were as capable of expressing their views in good English as their critics, it may be best to see what they have to say for themselves. Resorting again to the pages of Mun's treatise, we find him discussing the question of imports and exports in this fashion: "The commonwealth shall decline and grow poor by a disorder in the people when, through pride and other excesses, they do consume more foreign wares in value than the wealth of the Kingdom can satisfy and pay by the exportation of our own commodities, which is the very quality of an unthrift who spends beyond his means."\*

The modern Cobdenite, misled by the fact that the British now import more than they export, may find a flaw in this philosophical observation, but it is reasonably certain that if England had not proceeded along the lines indicated by Mun her subsequent commercial experience would not have excited the jealousy of the rest of the world.

It was well for the English that they accepted the guidance of men who spoke in this strain: "Lastly in all things we must endeavor to make the most we can of our own whether it be natural or artificial. And forso much as the people who live by the arts are far more in number than they who are masters of the fruits, we ought the more carefully to maintain those endeavors of the multitude, in whom doth consist the greatest strength and riches both of King and Kingdom; for where the people are many, and the arts good, there the traffic must be great and the country rich. The Italians employ a greater number of people and get more money by their industry and manufactures of the raw silks of the Kingdom of Cicilia than the King of Spain and his subjects have by the revenue of this rich commodity." †

Assume for a moment that the views of the mercantilists had not prevailed and that Englishmen of the seventeenth

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\*Mun, *Treasure by Foreign Trade*, p. 37.

†*Ibid.*, p. 17.

and eighteenth centuries had imitated the example of Spain—which country imported to excess with disastrous results—does anyone fancy in that event that the British would have been prepared toward the close of the first half of the nineteenth century to do commercial battle with the rest of the world?

What ground is there for believing that the English, who were a phenomenally backward people until they imported foreign artisans to instruct and pioneer the way for them in manufacturing, would have developed an industry of their own without artificial stimulus? Is there not every reason for assuming that if Edward and his successors had decided that as the Flemings could make cloth cheaper than the British it would be wiser for their subjects to wear imported woolens, that they would still be dependent upon strangers for such articles? What foundation is there for the assumption that the English could have achieved supremacy on the sea if the navigation act had not been resorted to? Is there a single instance recorded in history of a nation, after having obtained such a position as that reached by the Dutch, being dislodged except by such methods as those adopted by England?

These are the questions which suggest themselves to every candid investigator of this subject, and when an answer is found, as it may be in the pages of history, it discloses that the ancestors of the Cobdenites were not fools, although the Manchester school of economists have diligently striven to make them appear as such. Their teachings, their acts, and, above all, the result, show that those ancestors were shrewd men who instinctively adopted the only method by which they could advance their country commercially.

It is not meant by this that the mercantilists committed no errors—doubtless many blunders can be charged to them—but that their policy, on the whole, was conducive to national progress seems indisputable. No matter what present conditions may appear to suggest, it is obvious that

nations, like men, have their periods of infancy, adolescence and maturity, and perhaps final decrepitude and death, although modern optimism has suggested that the resources of commerce are such that this fate may be averted by intelligent peoples.

If the British, in the infantile stage of their growth, had wedded themselves to such a theory as that urged by the economists of the Manchester school, how could they have emerged from the comparative barbarism in which they were plunged? Had a mediæval Cobden dissuaded Edward from his attempt to create a woolen industry Britain might have remained a pastoral country. If the British had been thoroughly inoculated with the absurd idea that it is an economic sin to artificially stimulate a manufacturing industry they might have held a position similar to that which Spain occupies today. It was protection that saved the English from this fate, and which for a time has enabled their country to play the leading role in the commercial affairs of the world.



## CHAPTER III.

### FREE TRADE IN ENGLAND.

#### CAUSES THAT LED TO THE ABOGATION OF THE BRITISH CORN LAWS.

The corn law agitation—The British not dissatisfied with the results of protection—Movement due to a widespread depression caused by overproduction—Appearance of Cobden on the scene—Arguments to remove the objections of the English agricultural classes—Free traders convinced that English farmers had ample natural protection—High prices promised as a result of permanent prosperity—The warning of the Duke of Wellington—The consequence of improved communication not foreseen by Cobden and his followers—Free traders carry water on both shoulders—A cheap loaf for the workingman and high prices for the farmer's wheat are promised by them—The world's markets glutted with English manufacturers on the eve of the repeal of the corn laws—Effect of the scarcity of the precious metals—No claim made during the '40s that protection repressed production—McCulloch's assertion that the English were superior in skill to all other peoples and that none could hope to rival them—The attempt of the Cobdenites to misrepresent the facts of history—The Manchester school responsible for the propagation of the theory that wages and cost of living are intimately connected—Why the English manufacturer aimed at securing cheap food supplies—The part played by the potato famine and successive bad crops in creating converts to Cobdenism—Free trade not a logical development, but the result of adventitious circumstances—What might have happened had gold been discovered in California a few years earlier.

In the preceding chapter it was shown that the charges made against the mercantilists by the Cobdenites are ground-

less and that instead of being obnoxious to the imputation of commercial imbecility the Englishmen of the generations and centuries prior to the abrogation of the corn laws were a discerning people who had adopted the only policy which could be depended upon to give them a place in the race for commercial supremacy. In the pages immediately following proof will be furnished that the accusations to which reference is made were an afterthought and that at the time of the change of the incidence of taxation, which resulted in the shifting of the burden to agriculture, under the pretense that the nation would be generally benefited by such a course, Englishmen in every grade of life were so well satisfied with the outcome of the policy of protection that they assumed airs of superiority and entertained beliefs which, in the sequel, will be proved erroneous.

In order to obtain a just view of the motives which prompted the abrogation of the corn laws we must turn to the earlier writings and admissions of the followers of the Manchester school. If these are minutely examined it will be seen that in its inception the so-called free trade movement was not so much an assault on the principle of protection as a recognition of the fact that the English manufacturing industry had attained such a position that further extension would be impossible unless other peoples who had shown latent capacities of the same kind as the English could be persuaded that their best interests would be served by accepting the role of producers of food and raw material for the British.

When the proposition to repeal the corn laws was first mooted England was in the throes of a depression which was mainly attributed to over-production, but which succeeding events demonstrated was the result of under-consumption. Sir Robert Peel, the Prime Minister of England at the time, who in the early stages of the discussion was on the side of the agricultural interest, had attempted to account for the existing troubles by showing that improved ma-

chinery was creating goods faster than the world could absorb them.

This view was combated by Richard Cobden in the House of Commons. On the 8th of July, 1842, the state of the country being under consideration, Cobden, in a speech, "censured Mr. Peel for affecting to believe that the prevailing distress was due to the introduction of machinery. He said machinery does not throw people out of work if the perfection and introduction to practical use are gradual. He called upon Sir Robert Peel not to treat the subject with quibbles about machinery, nor as a mere Manchester question, but to look at it in connection with the whole condition of the country."\*

From this and similar early utterances of Cobden the writer who made the above condensation of the free trader's speech has assumed that the apparently broad and liberal views of the later adherents of the Manchester school were openly promulgated in England when the anti-corn law agitation was in progress. An examination of the arguments resorted to by Cobden and his associates and followers discloses that an entirely different campaign was made, and absolutely forbids the assumption that the people clearly understood the question. The idea that British agriculture would be imperiled by lowering or entirely removing the duties from corn was scouted and those who raised a warning voice were derided.

Two years later than the date of the delivery of the speech from which the above quotation is taken Mr. Cobden made another address, which Trumbull also condenses in this fashion: "Cobden then went on to show that every prediction about corn had formerly been uttered about wool, 'but,' he inquired, 'is there any lack of mutton? Are all the sheep dogs dead, and all the shepherds in the poorhouse? So far from it that when wool was at the highest price the

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\*Trumbull, *Free Trade Struggle in England*, p. 86.

largest quantity had been imported; when at the lowest price the smallest quantity.' This apparent paradox he explained by showing that ability to buy is an important agent in fixing prices. He condensed his explanation into the following sentence: 'A high price from prosperity may be permanent; a high price from scarcity must always be precarious.' This was new learning to the House of Commons and many of the members were startled by the doctrine. Peel himself became very thoughtful under the lesson, and afterward acknowledged that the lesson was very new to him."\*

This is not the place to inquire whether Cobden's trite sentence fitted the condition of affairs existing when his speech was made. The object in reproducing the quotation here is merely to show that Cobden and others had deceived themselves regarding the possible consequences that might result to agriculture from the changes proposed and that it would have been absolutely impossible to have persuaded the people of England to throw down the barriers of protection if they could have foreseen that free trade, so-called, would make the Kingdom dependent upon the outside world for its supplies of food.

It was absolutely necessary for Cobden and his adherents in order to win success to completely remove the apprehensions of that class whose fears were voiced by the Duke of Wellington in a speech delivered in the House of Lords in 1842 in which "he earnestly recommended their lordships not to lend themselves to the destruction of our native cultivation. Its encouragement," he said, "was of the utmost and deepest importance to all classes, and he earnestly begged of them not to consent to any measure which would injure the cultivation of their own soil." †

Later on it will be shown that the Duke, whose fears were ridiculed by the new economists, had a deeper insight into

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\*Trumbull, *Free Trade Struggle in England*, p. 159.

†*Ibid*, p. 54.

the future than his glib critics, but the masses were easily persuaded to consider them groundless. This is not surprising when the then existing opinion regarding the efficacy of natural protection is considered. Adam Smith had taught the Cobdenites to believe, or, at least, they adopted without challenge the view expressed by him sixty-five years earlier, that "even the free importation of foreign corn could very little affect the interests of the farmers of Great Britain."\* He thought that "if the free importation of foreign manufactures were permitted several of the home manufactures would probably suffer, and some of them perhaps go to ruin altogether, and that a considerable part of the stock and industry employed in them would be forced to find some other employment. But the freest importation of the rude products of the soil could have no such effect upon the agriculture of the country."†

There is no doubt that in the '40s this view appealed to most Englishmen who gave the subject attention. It was freely expressed by all the anti-corn laws agitators, and Mill, in his carefully thought out system of political economy, gave the reasons in detail for the existing belief. "In the first place," he said, "the foreign regions from which corn can be imported do not comprise the whole globe, but those parts of it almost alone which are in the immediate neighborhood of coasts and navigable rivers. \* \* \* To obtain auxiliary supplies of corn from the interior in any abundance would in the existing state of communications be hopeless. By improved roads, and often by canals and railways, the obstacles will be so reduced as not to be insuperable; but this is slow progress; in all the food-exporting countries except America, a very slow progress; and one which cannot keep pace with population, unless the increase of the last is very effectually restrained."‡

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\*Smith, *Wealth of Nations*, Book IV, Chap. I.

†*Ibid.*

‡Mill, *Principles of Political Economy*, Book I, Chap. XIII.

In another place the same author says: "There is every reason to expect that under the virtually free importation of agricultural produce \* \* \* the price of food, if population goes on increasing, will gradually but steadily rise; though this effect may for a time be postponed by the strong current which in this country has set in toward the improvement of agricultural science and its increased application to practice."\*

Such arguments as these disarmed the opposition of the landed interest. Its members and sympathizers were finally convinced that they had nothing to fear from foreign competition, and they fondly imagined that the creation of a great working class by increasing the number of consumers would strengthen rather than weaken the monopoly they enjoyed. This assumption seems inconsistent with the promise of the cheap loaf held out to the workingmen in the towns, but it was not a time when arguments could be made symmetrical; that was reserved for the economists of a later period. It was the business of Cobden and those working with him to get votes, and it did not matter much to them if the assertions made by them did not harmonize, or perhaps it would be fairer to assume that they believed all they said, no matter how irreconcilable some of their statements may appear to us at this day.

That they honestly deceived themselves may be inferred from an opinion expressed by J. Thorold Rogers a quarter of a century after the great triumph of Cobden had been achieved. He declared that in England: "Since the repeal of the corn laws the price of agricultural land has steadily risen; for though the average price of wheat has fallen, that of other kinds of grain, as is found by the tithe averages, has risen, while meat and dairy products have more than doubled in value since the period referred to," and in the same connection he remarked: "It is probable that, on the whole, suc-

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\*Mill, Principles of Political Economy, Book V, Chap. IV.

cessful agriculture, that is, the production of the largest quantity in value from the soil at least cost, has made more progress in the United Kingdom than in any other country.”\*

Here again comment on the errors made by the writer must be deferred, the present object being merely to indicate the strength and prevalence of the belief that English agriculture was thoroughly entrenched, from which the inference may be fairly drawn that had a contrary opinion prevailed the so-called free trade experiment would never have been made.

Having outlined the processes by which hostile opinion was disarmed it now becomes necessary to examine more minutely the expectations of the Manchester school. As a preliminary to an investigation of this kind it may be well to briefly sketch the conditions existing in England when the agitation against the corn laws began. It appears from the Parliamentary reports and the statements of historians that in 1842 there was a widespread depression which affected every branch of industry in Great Britain. On the 10th of March of that year, “Mr. Cobden brought on his motion for a select committee to inquire into the course of agricultural distress,” contending “that the corn laws were an injury instead of a benefit to the farmers and farm laborers” and offering to demonstrate the soundness of his view if they would grant him a committee. †

From Green we learn that after the peace which closed the Napoleonic wars a rapid development of English industry occurred which “for a time ran ahead of the world’s demands; the markets at home and abroad were glutted with unsalable goods and mills and manufactures were brought to a standstill.” ‡

This condition was not materially improved during the

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\*Rogers, Article “Free Trade,” *Ency. Brit.*

†Trumbull, *Free Trade Struggle in England*, p. 196.

‡Green, *History of English People*, Vol. IV, p. 1829.

following years. The English continued to add to their facilities for manufacturing, and as they had long outstripped the home demand the necessity of securing additional markets and of holding those already obtained became very pressing. As may be inferred from Green's remark, British manufacturers had already become possessed of the idea that in some way they were peculiarly fitted to fashion the rude products of the earth into finished articles, but they were embarrassed by the disposition manifested by some foreigners, notably Americans, to provide themselves with a home manufacturing industry, protective tariffs being resorted to for the furtherance of that object.

These efforts were looked upon with contempt by the English of all classes, who were firmly convinced that it would be impossible for their feeble rivals to seriously compete with the firmly established industries of Great Britain without resorting to tariffs which would prove absolutely prohibitory, and the result in a measure seemed to justify this opinion.

Owing to lack of firmness opportunities were afforded the English to effectually discourage manufacturing in the United States and other countries, and at the time of the corn law agitation England was in such a position that she could undersell rivals even when the latter were accorded what seems at this time a fair degree of protection.

But in spite of her admitted superiority in the industrial field England in the early '40s was suffering from the effects of an extreme depression, which, as we have seen, was attributed by such men as Sir Robert Peel to the rapid improvement of machinery and consequent overproduction of manufactured articles. There was, however, another and much more potent cause operating which seems to have attracted little attention at the time, and as yet is but imperfectly understood, although there is a growing disposition to recognize the fact that it was the removal of this



cause which contributed to the subsequent rapid expansion of English industry.

From the budget speeches of English Ministers of the time and other sources the fact may be gathered that the scarcity of the precious metals was becoming embarrassing. Mr. Gladstone is quoted by a writer who seeks to make a point against the mercantile system as bewailing the drain of gold and sorrowfully announcing to the House of Commons in 1842 that since the beginning of the year three millions sterling had been sent to America in payment for the products of that country.

Mr. Gladstone may have been the victim of "an ancient superstition" when he referred to the drain of gold in a fashion suggesting that he thought it an evil, but whatever views he entertained regarding the effects of such a movement one thing is obvious, namely, that specie was becoming scarce in England or he would not have expressed apprehension. That such was the case we have plenty of testimony independent of budget statements.

According to Soetbeer the annual production of the precious metals, which averaged about \$52,000,000 at the opening of the nineteenth century, had declined to \$32,500,000 per annum in 1846. This diminution occurred concurrently with a great expansion of manufactures and commerce due to the improvements in machinery which followed the employment of steam energy. Consequently, in addition to the evil results entailed by an appreciating currency, which are manifested in the falling prices of the period, the English had also to contend with the difficulty which Smith and other writers had pointed out must occur if the supplies of the money metals are not adequate to the wants of a growing trade.

Although the wealth of the nation had increased enormously and the annual produce of its labor was growing greater year by year, instead of the greater quantity of money

metals which the author of the "Wealth of Nations" said would be required to circulate a greater quantity of commodities\* the supply was daily becoming smaller. Under the circumstances it is not surprising that at the opening of the '40s the congested state of affairs described by free trade writers should have existed and that the manufacturers, who were confronted with a constantly declining as well as contracting market, should have cast about for a remedy for their troubles.

We are told by a free trade author who has sketched the events immediately preceding and following the repeal of the corn laws that "the business depression and the poverty of the people were potent arguments in the speeches of the leaders of the anti-corn law league, and that during the winter of 1842-43 the league and its literature were everywhere, and men who could not read were compelled to listen."† But this literature may be searched in vain for traces of the theory subsequently advanced that restraint of trade had a tendency to repress production.

It would have been extraordinary indeed if the anti-corn law agitators had told their hearers, who were complaining of overproduction, that the effect of protection had been to repress British industry. No such pretense was made. On the contrary, the fact was dwelt upon that England was in a position which gave her a decided advantage over the rest of the world. There was no talk of removing restraints so that Englishmen might expand their manufactures; the argument was entirely directed to the question of finding relief for an overexpansion.

The situation and opinions of the English at this time are accurately sketched by McCulloch, who wrote as follows: "The natural capabilities we possess for carrying on the business of manufacturing are, all things considered,

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\*Smith, *Wealth of Nations*, Book I, Chap. XI.

†Trumbull, *Free Trade Struggle in England*, p. 145.

decidedly superior to those of any other people. But the superiority to which we have already arrived is, perhaps, the greatest advantage in our favor. Our Western manufacturers, engineers and artisans, are more intelligent, skillful and enterprising than those of any other country; and the extraordinary inventions they have already made, and their familiarity with all the principles and details of business, will not only enable them to perfect the processes already in use, but can hardly fail to lead to the discovery of others. Our establishments for spinning, weaving, printing, bleaching, etc., are infinitely more complete and perfect than any that exist elsewhere; the division of labor in them is carried to an incomparably greater extent; the workmen are trained from infancy to industrious habits and have attained that peculiar dexterity and sleight of hand in the performance of their separate tasks that can only be acquired by long and unremitting application to the same employment. Why, then, having all these advantages on our side, should we not keep the start we have already gained? Every other people that attempt to set up manufactures must obviously labor under the greatest difficulties as compared with us. Their establishments cannot at first be sufficiently large to enable the division of employments to be carried to any considerable extent, at the same time that expertness in manipulation, and in the details of the various processes, can only be obtained by slow degrees. It appears, therefore, remarkable to conclude that such new beginners, having to withstand the competition of those who have already arrived at a very high degree of perfection in the art, must be immediately driven out of every market equally accessible to both parties; and that nothing but the aid derived from restrictive regulations and prohibitions will be effectual to prevent the total destruction of their establishment in the countries where they are set up.”\*

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\*McCulloch, Commercial Dictionary, p. 462.

Every line of this excerpt contradicts the assumption that protection was a hindrance to the development of English industry and testifies to the fact that by its aid Great Britain had built up a system of manufactures which the most competent critics of the time claimed was superior to that of any other nation. It shows also that McCulloch, who wrote in 1847, clearly recognized that it would be impossible for a nation unprovided with a thoroughly developed manufacturing industry to compete with England unless the methods resorted to by that country were imitated. When he asserted that only by restrictive regulations and prohibitions could a country without manufacturing establishments hope to escape the destructive effects of British competition, he must have had in mind the fierce struggles of England to gain a foothold among the commercial nations of the world, struggles which she never shrunk from in the pursuit of her purpose, although they had often involved her in bloody and costly wars.

The marvelous feature of the whole discussion is that the adherents of the Manchester school have vainly imagined that they could conceal or obscure these admissions and obliterate the truth of history. The only thing that saves the attempt from ridicule is the fact that it nearly succeeded. It cannot be gainsaid that for many years after the abrogation of the corn laws large numbers of persons living in other countries believed, or affected to believe, that in some ways the teachings of experience would be refuted, and that peoples without manufacturing systems would be able, in the face of all the advantages enjoyed by nations with established industries, to create home industries for themselves without resorting to protection.

There were some, however, who insisted upon accepting as sound the assumption of McCulloch and other Cobdenites that Great Britain possessed an overwhelming advantage and that it would be hopeless to contend with her on even terms. These reasoning persons proposed to disregard the

allurements of present cheapness, and by making temporary sacrifices to secure for their own countries future benefits. Their arguments in favor of such a course were rational. They pointed out that the toil and expense which attended the creation of such facilities as roads were often heavy burdens, but that those who bore them were recompensed by the conveniences provided and the subsequent lessening of the labor involved in locomotion and in moving products from one point to another. They argued that only the untutored savage insisted upon taking from natural streams the water he required for drinking or other purposes, and that civilized man did not shrink from the expenditure of time and labor necessary to dig wells or construct conduits to bring the supplies he required to his door or into his house.

From such examples they drew the inference that a resort to art means progress, and boldly planted themselves upon the proposition that a manufacturing industry would not develop itself naturally and that such a system must be artificially produced. If obstacles were placed in the way of artificial development then they must be met and overcome.

To meet such arguments the Manchester school devoted itself to systematizing the free trade idea. Many of the theories made familiar through its instrumentality after 1846 were unheard of, or, at least, not widely exploited in England prior to that date. It would have been absurd for Cobden and his associates to tell the British that they had made a mistake in resorting to artificial means to promote their manufacturing industry, or that the resort to artificiality had been a failure, for the facts would have promptly refuted such assertions.

Every Englishman of average intelligence knew that protection had been in vogue in England for centuries and that it had resulted in the building up of an unrivaled manufacturing system and had given his country command of the seas. There was very little discussion of abstractions; it was

the condition that confronted them to which Cobdenites devoted their attention. They recognized that under the then existing circumstances there could be little hope of a further expansion of English manufactures unless matters could be so adjusted that Great Britain would be enabled to produce so cheaply that the nations showing a disposition to create industries of their own would be discouraged and perhaps induced to believe that their best interests would be subserved by depending upon the British for their supplies of manufactured articles.

Accordingly all of the resources of argument were directed to convincing Englishmen that they would incur no sacrifice by abrogating the corn laws. The drift of the discussion is plainly seen in this comment on the attitude of Sir Robert Peel on the eve of abrogation. Says the writer: "He was yielding to the force of argument and more enlarged experience. He had closely watched the operation of protective duties during the past four or five years and was now convinced that the arguments in favor of their maintenance were no longer tenable. He was convinced that low wages were not the result of low prices of food. Sir Robert supported this last statement by facts that could not be denied, the rate of wages and the rate of prices that had preceded during the past six years. He said: 'For three years preceding those last past, prices were high, while wages were low, while during the past three years prices were low while wages were high.' This was a very uncomfortable statement for those political economists who had been trading on the fallacy that the protective tariff was necessary in order to secure high wages for the workingmen, and that cheap bread and meat and clothes meant low wages."\*

It requires considerable audacity to assert that the so-called fallacy of assuming that wages are governed in part

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\*Trumbull, *Free Trade Struggle in England*, p. 225.

by the cost of subsistence was advanced by protectionists, but this is a quality which is never found lacking in adherents of the Manchester school. We need but turn to the pages of Smith to discover that he carefully developed this idea, which is frequently denounced as an economic heresy by Cobdenites. Smith tells us plainly that "as the wages of labor are everywhere regulated partly by the demand for it and partly by the average price of the necessary articles of subsistence, whatever raises this average price must necessarily raise those wages, so that the laborer may still be able to purchase that quantity of these necessary articles which the state of the demand for labor, whether increasing, stationary or declining, requires that he should have."\*

If the wages of labor and subsistence were believed to be intimately associated by the economists of the period immediately preceding the corn law agitation the belief will explain the attitude of the British manufacturers. It had been pointed out to them by various writers, and their own observations confirmed what they were told, that the effect of the expansion of the world's commerce and the increase of wealth was to raise wages. Smith had noted the tendency, saying: "Since the time of Henry VIII the wealth and revenue of the country have been continually advancing, and in the course of their progress their pace seems rather to have been gradually accelerated than retarded. They seem not only to have been going on, but to have been going on faster and faster. The wages of labor have been continually increasing during the same period." †

This phenomenon, noted toward the end of the eighteenth century, manifested itself in a more decided manner after the opening of the nineteenth century. We know from the evidence of Green, Cunningham and others that there was a period of expansion which resulted in the overproduction

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\*Smith, *Wealth of Nations*, Book V, Chap. II.

†*Ibid*, Book I, Chap. IX.

already referred to, concurrently with which there was a great increase of wealth. In this increase the English worker participated. Wages continued to improve during the nineteenth century, and the condition of the workingmen of England was decidedly better forty years after its opening than at the time when Smith wrote.

Then came the period of sharp contraction, due undoubtedly to the diminution of the supply of precious metals. The first to feel the effects were the manufacturers, who found the demand for their products shrinking, or, what amounts to the same thing, they discovered the inability of the world to keep abreast of their facilities for production. They began to cast about for remedies, and naturally devoted their attention to the question of wages. They soon discovered that the obstacles to peremptory reductions were almost insuperable, for while the law which Smith had observed undoubtedly operates, it is slow in its operation, for what advances the workingman has gained through progress he never surrenders except under the compulsion of necessity.

It was to hasten this consummation that the British manufacturers forced the issue of a cheap loaf. They understood perfectly that it would be impossible for them to maintain their position unless they could secure cheap food in abundance for their operators and free raw materials for their machinery to operate upon. It is probable that they believed that throwing down the barriers of protection would involve no sacrifice, for, as we have already shown, the impression was general in England that British agriculture was firmly entrenched against foreign rivalry, and many were convinced that the further development of the manufacturing industry which the free trade policy contemplated would so enlarge the home market that the farmer would enjoy better prices than he did under the protective system.

But it is evident that many of those who were strongly imbued with the idea of British manufacturing superiority



were willing to see the industry in which they were specially interested prosper at the expense of agriculture. The germs of some of the theories which were so carefully elaborated later had already begun to develop, and the idea of making a vast workshop of England, which subsequently took hold of the popular imagination and greatly impressed observers in other countries, sometimes found expression in the corn law debates. Those who gave voice to it cautiously suggested that the injury to the farmer would be more than compensated by the benefits to the growing urban populations. From this we may infer that the addresses to the workingmen in the towns and the farmers in the country lacked congruousness, but the orators relied upon the fact that the two classes of audiences they were called upon to address were not in close contact, and they also perceived that the extremity in which the people found themselves, owing to the depression, had destroyed the sense of discrimination and inclined them to regard any change as a remedy.

It is commonly assumed that the free trade policy developed itself logically in England, but it requires no wide acquaintance with the history of the movement to perceive that the legislative success of the manufacturers was achieved by the aid of adventitious circumstances. Green tells us that although Robert Peel entered office pledged to protection measures, his own mind was slowly veering around to a conviction of their inexpediency, but he destroys the force of this comment by saying that "in 1846 the failure of the potato crop in Ireland and of the harvest in England forced Peel to introduce a bill for the repeal of the corn laws."\* Another writer, with better claims to economic authority than Green, tells us that protection owed its overthrow to the potato famine,† and this view is now generally accepted by most investigators. This does not imply that commenta-

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\*Green, *History of English People*, Vol. IV, p. 1843.

†Nicholson, *Principles of Political Economy*, Vol. II, p. 163.

tors had any doubts that the idea would have been adopted if the circumstances had been different; they merely recognize that a combination of disasters assisted the manufacturers and enabled them to carry through a measure of vital importance to them, even if it did threaten the, at the time, leading industry of the country.

It requires but little reflection to direct the attention to contingencies which might have completely changed the current of English thought. Had the concurrent failure of the potato crop and the harvest in England not occurred the struggle over protection might have been protracted until the influence of the gold discoveries in California and Australia had begun to make themselves felt.

Had matters so turned out it is not unreasonable to suppose that attention would have been diverted from the subject by the substitution of business activity for the existing depression. In that event the progress made in every branch of industry and the subsequent rapid acquisition of wealth by the British, which has been attributed by the Cobdenites to the operations of free trade, would have been assigned to some other cause. Perhaps the true reason for the expansion would have been comprehended, and the future trouble, which England must experience from the adoption of an erroneous, because it is an unnatural, economic system might have been averted.

Had gold been discovered a few years earlier in California and Australia the whole course of history would have been changed. In that event there would have been no Cobdenism. The story the future historian will have to tell in consequence will be vastly different from what it might have been had the supply of the precious metals been abundant during the first half of the century. Because of their scarcity during this period history will exhibit the British in the light of a people grasping at universal dominion and seeking to obtain it by the expenditure of pounds, shillings and pence. It will also show that the blundering

misconceptions of English economists were responsible for the illusory hope, which was almost wholly based on the groundless belief that British skill and ingenuity would always insure the supremacy of the nation in the fields of industry, that England would become and remain the mistress of the world.

## CHAPTER IV.

### FOUNDATION OF ENGLISH SUPREMACY.

#### GREAT BRITAIN READY TO TAKE ADVANTAGE OF THE GOLD DISCOVERIES.

England's manufacturing industry in 1841—Able to supply the needs of the world—British commerce before the repeal of the corn laws—Rival nations have developed manufactures at a greater rate than the United Kingdom—Great Britain's relative position as a manufacturer of textiles not so good as formerly—Once supreme as a producer of iron, Great Britain now holds second rank—Agriculture progressive before the repeal of the corn laws, retrogressive since that event—The increase of wealth as rapid before the free trade era as it has been since—Population increased more rapidly prior to 1846 than afterward—Great Britain gained the lion's share of the advantages resulting from the gold discoveries—Assumption that British workers were more skilled than those of other countries—Beginning of England's career as a great creditor nation—Improvement of British trade not due to repeal of corn laws—Heavy declines of exports during 1847 and 1848—Improvement sets in when fresh supplies of the metals are given to the world—Great profits made by the British before other nations became competitors—Inability of British writers to comprehend the true cause of the rapid development of the United Kingdom.

Before proceeding to the examination of the blunders made by the Manchester school, to which reference was made in the preceding chapter, it is advisable to produce the evidence which will effectually corroborate the assumption of McCulloch and others that at the time of the abolition of the corn laws England was in a better position commercially than any other nation, and that the idea entertained by this school of thinkers that if other countries would

consent to the project of making Great Britain the workshop of the world the English might permanently maintain their industrial supremacy was not entirely visionary.

This proof will be largely statistical in character, and it will be so presented that it will be impossible to avoid drawing the inference that the Cobdenites have grossly exaggerated the importance of the commercial growth of England since 1846 in order to carry the impression that the protective system in vogue prior to that date had greatly restricted industry in that country and that expansion would have been impossible if the views of Cobden and his followers had not prevailed.

In order that no question may arise respecting the authenticity of the figures quoted, the latest publication of Michael Mulhall has been relied upon, because it is regarded as authoritative in England.\* Turning to its pages, we find that the occupation of the inhabitants of the United Kingdom in the year 1841 was as follows: In agriculture there were employed 3,401,000 persons; in manufacturing, 3,137,000; in trade, 684,000; in the professions, 223,000, and as domestics, 1,556,000. According to these figures there were 9,001,000 British employed in gainful occupations in the year named in a population of 26,855,000. The ratio of those employed in manufacturing industries was 34.8 of the total engaged in gainful occupations, as against 37.8 in agriculture.

It is apparent from this presentation that as early as 1841 the development of British manufacturing was abnormal. The industry had long ceased to merely suffice for the requirements of the British people, and its further expansion at that time was dependent on the growth of population and the ability to sell to other peoples.

In 1841 British exports were valued at £6 4s per capita. They consisted chiefly of manufactured articles, which were carried in British ships to all parts of the world. No country

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\*Mulhall, *Industries and Wealth of Nations*, 1896 Ed.

at this time approached England's volume of trade. Her proportion of the commerce of the globe was as great in that year as it has ever been since. In 1840 the total external trade, exports and imports, of all nations was estimated at £574,000,000. Of this amount £114,000,000, almost one-fifth, was credited to Great Britain. In 1894 the world's foreign trade was figured at £3,305,000,000 and England's share of it at £682,000,000, a trifle more than one-fifth of the whole.

If no other facts could be cited to support the contention that the development of British trade subsequent to the repeal of the corn laws was not owing to that particular change of fiscal policy, these figures would be sufficient to discredit the claim of the Cobdenites that England's present commercial position is due to free trade. To establish their position the adherents of the Manchester school should be able to show that other nations which refused to adopt the English economic policy had been unsuccessful in expanding foreign trade, but they cannot do so. The tables of exports and imports demonstrate conclusively that protectionist countries have advanced more rapidly since 1850 than Great Britain.

It has always seemed to the writer that the tendency of the free trader to attach an undue importance to foreign trade has resulted in clouding his judgment and rendering him unable to discern the true causes of certain economic phenomena. There is no doubt that the proclivity referred to has made him incapable of perceiving that the adverse balance which British exports and imports has shown for a long period is not due to the workings of the economic system resorted to by Great Britain, but is chiefly, if not wholly, the result of British investments in other countries; and that ultimately what is now looked upon as an indication of prosperity will be recognized as a menace to the welfare of the producing masses of England. In another place this view will be more thoroughly developed; reference is made

to it here merely to call attention to the significant circumstance that while Great Britain has thus far maintained an important position as a trading nation she has lost ground as a producer.

In 1840 Mulhall estimates that the value of the output of the world's manufactories was £1,810,000,000. Great Britain's share of this amount was £246,000,000, or a little more than one-seventh of the whole. In 1894 the world's output had increased to £5,676,000,000, but Great Britain's proportion was considerably less than one-seventh, her production being valued at £826,000,000.

But a better insight into the changes wrought during this period may be gained by examining the relative conditions of the industries in which Great Britain was once assumed to be supreme. Take the case of textile fabrics. In 1840 the value of textile fibers consumed in the United Kingdom was £92,000,000, or nearly one-third of the world's product, which was estimated at £246,000,000. In 1894 England's consumption of textile fibers was considerably less than one-fourth, her share being £191,000,000 of the world's total of £826,000,000. In 1840 England was credited with more than one-half of the world's product of iron; in 1894 her proportion was less than one-fourth. In the first named year the value of the hardware manufactured by the United Kingdom, under which term are included all goods in which iron, steel, copper or other metals are the chief components, was £30,000,000, the whole world being credited with a production valued at £90,000,000. Fifty-four years later the product of the world was valued at £603,000,000 and the share of the United Kingdom at £142,000,000. In 1840 England's proportion of the whole hardware product was one-third; in 1894 it was less than one-fifth.

Turning to the figures of mineral production, we find that as early as 1830 the output of British coal was 16,100,000 tons, and that twenty years later it was 49,000,000 tons. This shows a degree of progress which has not been sur-

passed since 1850, the figures of production in 1895 being 189,000,000 tons, less than a fourfold increase during a period of forty-five years, whereas during the twenty years preceding 1850 the increase was over threefold.

The statistics tell a similar story of the production of other minerals. In 1830 the British output of minerals other than coal was 1,980,000 tons; this quantity had increased to 5,800,000 tons in 1850, or almost threefold; between 1850 and 1870 the increase of the output was less than threefold, and during the twenty-five years between 1870 and 1895 there was a diminution in the rate of production.

Between 1827 and 1846 British agriculture was progressive. In the first mentioned year there were 19,140,000 acres under crops; in the year of the repeal of the corn laws this acreage had increased to 21,930,000. Between 1840 and 1895 there was a decline to 20,050,000 acres under grain.

This rapid glance at the condition of industry in Great Britain prior to the repeal of the corn laws may be concluded with the statement that British wealth increased as rapidly during the years anterior to 1846 as subsequently. The tables furnished by Mr. Mulhall do not permit us to give the statistics for the periods with the exactness that might be desired, but he shows that between 1812 and 1836 the wealth of the United Kingdom increased from £404,000,000 to £600,000,000, and that between 1836 and 1870 the increase was to £938,000,000. It is noteworthy in this connection that the population increased from 18,500,000 in 1812 to 25,000,000 in 1836, and that twenty-four years later, in 1860, it was only 29,000,000. The addition during twenty-four years of protection was 6,500,000; during the latter twenty-four years, fourteen of which fell within the free trade period, it was only 4,000,000.

These statistics show conclusively that no matter what may have been the condition of Great Britain during the years of the corn law agitation it cannot be truthfully



alleged that protection had prior to that time acted as a restriction on production or trade in the United Kingdom. Indicating, as these figures do, that there was as rapid a degree of progress in every industry before the change of policy as that attained in later years, it is manifestly absurd to claim that Great Britain has flourished because she changed her tariff. There is no evidence whatever to support such a theory; on the contrary, the facts point to an entirely different cause of the expansion of the commerce and trade of the United Kingdom, an expansion which she experienced in common with the rest of the world.

If the period between 1850 and 1895 is taken as a whole it will be seen that the relative position of Great Britain did not improve, but there is no doubt that in the years immediately following the gold discoveries in California and Australia the British secured the lion's share of the advantages. Why Great Britain was able to do so is disclosed by a more detailed examination of the statistics already drawn upon so freely. These show that there was no nation in the running with Great Britain at the close of the '40s.

In 1840 the international or foreign trade of Great Britain was nearly double that of France, more than double that of Germany and twice and a half as great as that of the United States. At that time the balance of trade was in favor of the British, the exports exceeding imports very largely. It is useless to give the official figures in this connection, for they are extremely misleading, creating the impression of a stagnant trade, because they take no note of the continuous decline in values of produce between the opening of the century and the year 1850, but, erroneous as they are, they show a constant expansion of exports, especially of manufactured articles.

When we begin to institute comparisons we soon light upon the reason for this steady increase. It was solely due to the artificially acquired superiority of the British, and not to any natural advantages enjoyed by them over

competitors, as has been persistently assumed by free trade writers.

In 1840 the British produced 1,390,000 tons of iron, or more than one-half of the world's product in that year, which was reckoned at 2,680,000 tons. The ten years following witnessed an increase of British product to 1,970,000 tons without a corresponding increase in the output of other nations. The false inference drawn from English expansion and the relative backwardness of other countries in this industry was that the skill of the workers and the quality and extent of the deposits of the mineral in the United Kingdom were such that it possessed a decided advantage over all competitors.

Perhaps such deductions were reasonable at the time, for the disparity in production seemed to indicate the possession by the British of advantages not enjoyed by their rivals. In 1840, while Great Britain was producing 1,390,000 tons of pig iron, the United States could only show an output of 290,000 and Germany of 170,000 tons. In 1850 the conditions remained substantially the same; consequently it was not surprising that English writers and politicians should have made the blunder of assuming when this country began increasing its demands for British iron and steel, and articles manufactured therefrom, that we had found out that we could supply ourselves more cheaply by resorting to England, and that we would always continue to depend upon that country for such goods. The free trade literature of the years between 1850 and 1875 is filled with assumptions of this kind; since the latter date the idea has been abandoned.

It was not only in the iron industry that Great Britain enjoyed pre-eminence at the time of the repeal of the corn laws. In 1840 she had distanced all competitors in the manufacture of textile fabrics. Mulhall has made a calculation of the value of the fibers consumed by the nations of the world in that year and states that it aggregated

£246,000,000, on the basis of £170 per ton. The consumption of the United Kingdom was £92,000,000, while that of France was £52,000,000, Germany and the United States being credited with £22,000,000 and £15,000,000 respectively.

These figures scarcely reveal the full extent of the lead of Great Britain. That can only be appreciated by keeping in mind that the United Kingdom had for many years been an exporter of textiles, while her most important rivals were unable to supply their home demands. This was particularly the case in the United States, where, as we have seen, the iron and steel and the textile industries were at a low stage during the whole of the decade preceding the gold discoveries. And what is stated of the particular industries mentioned was equally true of every other industry in the United States at the time.

From this presentation the reader will readily comprehend that when the injection of large quantities of the precious metals into the stagnant waters of business began to stir them and set the waves of prosperity in motion, Great Britain was in a position to take advantage of the changed circumstances. Her factories, which had for years been producing in excess of the needs of Englishmen and of the ability of foreigners to buy, were suddenly relieved of their surplus stocks, which were exchanged for the virgin gold of California and Australia.

The supplies of the precious metals thus obtained not only revived the home trade of England; they were employed with equal effectiveness in promoting that roundabout trade with foreign countries which Adam Smith so frequently dwelt upon. During the years following the gold discoveries England largely increased her investments in the United States and other countries, and thus made possible the apparent anomaly subsequently witnessed of a people being able to buy hundreds of millions more annually than they sell and to remain prosperous during the process.

That the era of prosperity enjoyed by England subsequent to 1849 should have been attributed by later writers to the operations of free trade is somewhat remarkable when all the facts are considered. That the repeal of the corn laws failed to benefit trade is shown by the tables of exports of manufactured articles. In 1844 the value of woolen and worsted manufactures exported by Great Britain was, according to a computation from the sessional papers of the British Parliament, \$45,815,265. In 1843 they declined to \$43,800,215; in 1846 a still further decline to \$36,216,865 was noted. In the following year they increased to \$39,487,010, but in 1848 they had dropped back to \$32,554,015.\* In 1849 an increase of over ten million dollars is noted, and in 1850 the exports of woolens and worsteds from the United Kingdom were over eighteen millions more than they were two years after the repeal of the corn laws, when, if the theories of the Cobdenites had not miscarried, the good effects of a cheap loaf should have already made themselves felt.

The story of the exports of British linen products does not differ. In 1845 the declared value of the exports of this class of manufactured articles was \$20,484,684; in 1848 the amount exported had dwindled to \$16,481,190. After 1849 there was a rapid increase, the exportations in 1850 reaching \$24,143,465, and in 1856 they were nearly twice as large as in 1848. The record of silk exports is the same, the year 1848 presenting a sharp line of demarcation, the dwindling shipments of the previous years changing to steadily increasing exports of silken fabrics. But the most striking evidence is that furnished by the tables showing the value of the exports of the British metal manufactures. In 1846 these had attained a value of \$50,968,895; in 1848 they had fallen to \$48,797,845. In 1849 they in-

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\*Bigelow, Sessional Paper British Parliament, pp. 96-100.

creased to \$55,772,520, and in 1853 they were double those of the year 1848, being valued at \$104,025,775.\*

There is no trace of the effect of the "cheap loaf" in these surprising advances, for the price lists of the time show that the cost of bread did not decline after the repeal of the corn laws. "The market prices of wheat as given in the abstracts, and the contract prices of the four-pound loaf supplied to the Seaman's Hospital at Greenwich, England, averaged between 1841 and 1850 50 shillings 3 pence per quarter for wheat and 6 $\frac{3}{4}$  pence for the four-pound loaf; between 1851 and 1860 wheat averaged 54 shillings 7 pence and the four-pound loaf 7 pence."† As man does not live by bread alone it is well to note also that the prices of other farm produce advanced greatly after 1850, and that at the height of English manufacturing prosperity meat of all kinds and dairy products were much dearer than during the years while the corn law agitation was in progress.

Obviously, then, it is an error to attribute to the repeal of the corn laws the great strides made by the British during the '50s and later. The evidence shows distinctly that the workmen in the cities were not benefited in the manner expected, for they had to pay more for their bread and meat than formerly, but fortunately for them they were enabled to meet the increased demands upon their purses because they had plenty of work.

When we inquire into the reason for this remarkable change information is elicited which suggests the idea that while the wealth of Great Britain was enormously increased during this period of expansion British workingmen were discounting their future. We are told by a competent observer that "no nation, not even the American, ever made such progress or accumulated such wealth upon products

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\*Bigelow, Sessional Paper British Parliament, pp. 96-100.

†Williamson, Blackwood's Magazine, 1887.

manufactured as Britain did in this stage of her history. The prospectus of the Barrow Steel Company stated that profits had been 30 and 40 per cent. per annum, and in one year they had reached the incredible rate of 60 per cent. upon the entire capital."\* The writer says this was "only a straw showing the unheard of returns made by the manufacturers of Britain when the world was at its feet and before strenuous competition had reduced and in many cases banished profits."

There is no necessity for adding to this evidence, it is so amply corroborated by the statistics showing the enormous increase of British wealth during the years while the manufacturers of that country were supreme; it would be a work of supererogation to go into details, although in another chapter the subject will be reopened to demonstrate that when Britain was to all intents and purposes the workshop of the world she plainly showed that she was disposed to use her superiority with harshness and that she was always ready to exact the last farthing from those dependent upon her for supplies of manufactured goods, a propensity which went far to destroy the force of the argument of the Manchester school that mankind generally would profit by the successful establishment of the system its adherents advocated.

Here we need only note that while these tremendous profits were being wrung from the people whose industries were in a backward or entirely undeveloped state the manufacturers and others who shared with them were investing their surplus wealth in the new countries, and were thus laying the foundation for the future undoing of their nation. It was during the thirty years following the repeal of the corn laws that the greatest part of the many billions which the British now own in the shape of foreign securities was

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\*Carnegie, *The Manchester School and To-day*, Nineteenth Century, February, 1898.

earned, and the dividends or earnings on these investments are now beginning to be paid, not in raw and food products as the Cobdenites hoped they always would be, but in finished articles, which are slowly but surely displacing the productions of British workingmen and increasing the army of paupers and unemployed in the United Kingdom.

At some future time economists will clearly perceive the special application to Great Britain of many of the theories framed by them to fit the imaginary results of a protective policy. When they study with the attention it deserves the period under review in this chapter they will recognize that the inevitable tendency of the policy advocated by the Cobdenites was to over-people the British Isles. It was impossible that any other result could have ensued.

Instead of permitting the dispersion of mankind over the whole face of the earth and the multiplication of civilizations, the Cobdenites proposed to concentrate all the enlightenment and wealth of the world in the narrow precincts of two or three insignificant islands. While they glibly discussed the laws of nature their minds were impervious to the fact that it is more natural for peoples to establish themselves at the bases of supplies of food and raw products than to transport the latter to distant points to be manufactured and then to be returned to the original producers. But their most serious blunder was in assuming that the industrial superiority which the British had undoubtedly reached was due to natural causes, when, in fact, it was owing solely to a process of integration which could not have taken place except under the stimulus of artificiality.

One of the melancholy features of the Cobdenistic propaganda is the glamour it threw over the minds of cultured Englishmen. Some day it will be seen that much of the teaching of England's foremost philosophers has been vitiated by a too ready acceptance of statements made by interested persons and the disposition to elevate *a priori* methods above the plain evidence of facts.

In the following chapter this phase of the subject will be discussed and testimony will be adduced to show how profoundly eminent Englishmen deceived themselves regarding the capacity of their own countrymen and the capabilities of foreigners. If the writer succeeds in his aim he will conclusively demonstrate that the vagaries into which Spencer and a host of other writers were led in discussing the question of the efficiency of labor were wholly due to their apparent inability to recognize the true cause of the rapid progress of the United Kingdom after the abolition of the corn laws.



## CHAPTER V.

### “ENGLAND THE WORLD’S WORKSHOP.”

#### THE THEORY OF NATURAL DEVELOPMENT AND THE RESULTS OF INTERDEPENDENCE.

Independent evolution advocated by free traders—Effects of concentration of capital—An artificial advantage mistaken for a natural one—Why Cobdenites believed that England could be made the world’s workshop—British resort to artificial methods to crush out the rivalry of the United States—The assumption that attention to manufactures meant a diversion of capital from more profitable pursuits not accepted by early Americans—The question of labor efficiency—German progress under the protective system—The encouragement of infant industries a necessity—The producers of rude products make slow advances toward a complex civilization and its attendant benefits—Agricultural retrogression after the overthrow of the Roman empire—The approach toward heterogeneity must proceed at a snail-like pace in countries where the development of resources is one-sided—The principle of subdivision of labor may be carried too far—The effect of the adoption of a protective policy is to advance the cause of civilization.

In one of his latest works Herbert Spencer is pleased to severely arraign those who refuse to accept without qualification his theory of natural development. He says that “blind to the significance of the innumerable facts surrounding them, multitudes of men assert the need for the ‘organization of labor.’ Actually they suppose that at present labor is unorganized. All these marvelous specializations and these endlessly ramifying connections which have age by age grown up since the time when the members of savage tribes carried on each for himself the same occupations

are non-existent for them; or if they recognize a few of them, they do not perceive that these form an infinitesimal illustration of the whole. A fly seated on the surface of the body has about as good a conception of its internal structure as one of these schemers has of the social organization in which he is imbedded.”\*

The reader who accepts without cavil all the assumptions of the evolutionists may acquiesce in a sweeping generalization such as that contained in the above quotation. He may recognize that as the ages have rolled on results have been produced which resemble organization. Men have changed their attitude of habitual antagonism for one which outwardly has the appearance of friendliness and a disposition to co-operate, but it would be difficult to establish that the change has come naturally and has not been assisted by the conscious efforts of those interested in bringing it about. On the contrary, the evidence is overwhelming that legislation, the constant object of the animadversions of Spencer, has modified and altered and arrested natural development to such a degree that except in the broadest sense it is impossible to accept the theory of a natural social evolution.

Mr. Spencer, who lays such stress on the operations of natural integration, asks us in another place to note these important facts: “See, then,” he says, “how great has become the interdependence. Different kinds of production aid one another. Distribution, while depending for its roads and vehicles on various kinds of production, makes production more abundant and varied; while a developed and differential currency furthers production and raises the rate of distribution. Thus, by their mutual influences, the structures carrying on these processes become more and more integrated.”†

Following this description of a highly developed social

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\*Spencer, *Principles of Sociology*, II—III, p. 411.

†*Ibid.*, p. 405.

organism is a review of some of the special manifestations of integration. "First among these may be set down the cooperation of separate processes and appliances in wider and more varied ways. Some man observing how a housemaid trundling a mop dispersed the water saw that by the aid of centrifugal force various things might be dried and others separated. Among results of his thought here are some. Masses of wet sugar placed in a rotating drum with a perforated periphery are thus freed from the adherent syrup and left dry. Wet clothes put into such a drum are made by its rotation to part with nearly all their water and come out merely damp. And now, by the same method, the more liquid part of milk is separated from the less liquid part—the cream."\*

These and numerous other instances of the effect of interdependence cited by the author are relied upon by protectionists to support their contention that progress is not independent of but is owing to the conscious efforts of men to better their condition. The teachings of experience all negative the idea that mankind would be benefited by compelling each nation to work out its industrial salvation by a process of independent evolution. Protectionists have always clearly recognized that the earlier stages of progress are painfully slow and that it would be folly for a people to pass through them if any means presented itself of reaching the goal of a higher stage of development by easier and quicker methods.

Borrowing the illustration of Spencer, they say that a people with intelligence enough to appreciate and use centrifugal machinery for the manufacture of sugar would be foolish to neglect to avail themselves of its benefits. They do not believe that it would be the part of wisdom to evolve a system of their own, a course which would require centuries, but urge that the true method for the people of a nation

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\*Spencer, Principles of Sociology.

is to begin at the point reached by others and apply their ingenuity to still further perfecting the instrumentalities already in use.

It is obvious, however, that a people without capital, no matter how great their natural resources might be, would find it impossible, or at least very slow and laborious work, to develop them in competition with peoples who had reached the stage where the use of perfected machinery was common.

Let it be assumed for purposes of illustration that a country abounding in cane had by a process of evolution developed a system of centrifugal manufacture which reduced the cost of the production of sugar to so low a figure that it would be impossible for countries with ruder appliances to compete. In such case, no matter how bountiful nature might be, the artificial advantage enjoyed by the country with the capital necessary to maintain the developed machinery would retain its lead permanently and deter the opening of new fields of sugar supply. The result would be dearer sugar to the consumer than if the area of production had been enlarged, for experience teaches that concentration of capital within limited areas always tends to the creation of monopolies which are as harmful in their operation as those granted by the kings and governments of other days.

The Cobdenites appear to have overlooked the benefits to be derived from the opening of fresh fields of competition, and their failure to do so is responsible for the blunder made by them in assuming that the United Kingdom could be made the permanent workshop of the world. Having before their eyes the results of the high industrial development of their own country, they deliberately banished from their minds the memory of the methods by which it was brought about, and made themselves believe that Great Britain was especially fitted by nature for the work of converting the rude products of the earth into finished articles. This finally led to the assumption that the resources of Brit-

ain in the matter of coal and iron were greater than those of any other country and to the still more erroneous belief that the British were superior in skill and intelligence to all other peoples.

When we turn to the early literary productions of the Manchester school for corroboration of this assertion we find remarkable statements designed to show the efficiency of English labor. Had such utterances been confined to the pages of Cobdenite political economists pure and simple it might be assumed that they were merely a part of the propaganda which had for its object the promotion of the national wealth of Great Britain, but when we find authors of the standing of Spencer asserting without reservation that their countrymen surpassed all others in those qualifications which go to make up a great industrial people, we recognize that the error was not one confined to the vulgar, but that it was shared by all classes of Britons.

The existence of this belief was no doubt responsible for the evolution of the theory which subsequently became the corner-stone of Cobdenism, namely, that "each country has some natural or acquired capabilities which enable it to carry on certain branches of industry more advantageously than anyone else." These words were quoted by Spencer from McCulloch, who used them to illustrate the idea that Great Britain and other colonizing countries followed a mistaken course in compelling their dependencies to trade exclusively with the mother country, because, as he asserted, it resulted in "engaging a portion of the capital and labor of the country in a less advantageous channel than that one into which it would naturally have flowed." Spencer accepted the conclusion of McCulloch, and added: "If to the injury we do ourselves by manufacturing goods which we could more economically buy is added the injury we suffer in pacifying the colonists by purchasing from them commodities obtainable on better terms elsewhere, we have before

us the twofold loss which these much coveted monopolies entail."\*

If we follow the development of the theory here outlined we shall see that the Cobdenites elaborated it so that later it was interpreted to mean that the capabilities of all countries were well defined in the middle of the nineteenth century and that a people who at that time, or later, resorted to artificial methods to accelerate the development of an industry were disregarding natural laws, and therefore must ultimately fail'

Andrew Carnegie, in discussing this subject, quotes a passage from an author of the Manchester school which illustrates the Cobden view out of which so many fallacies subsequently grew. This writer said: "Nature has decreed, and wisely so, that all nations of the earth shall be interdependent, each with a mission. To one is given fertile soil, to another rich mines, to a third great forests; to one sunshine and heat, to another a temperate zone and to another colder climate; one nation shall perform this service, another that, and a third shall do something else; all co-operating, each furnishing its natural product, forming one grand harmonious whole."†

There was no excuse for such an assumption at the time this was written, for it was as well known then as now that no such sharp distinction in the capabilities of countries existed. The resources of rivals were as well understood by observant men prior to 1850 as they are to-day. When McCulloch enumerated the advantages enjoyed by Great Britain, in the passage quoted in another chapter, wherein he attributed British manufacturing superiority to long experience, accumulated capital and preparedness, he did not pretend that nature was on the side of his countrymen. He

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\*Spencer, *Social Statics*, p. 193.

†Carnegie, *The Manchester School and To-day, Nineteenth Century*, February, 1898.

clearly recognized the artificial character of the advantages of Great Britain, and his argument was solely directed to the consideration of the question of preventing other people securing similar advantages.

In the same fashion did Lord Brougham argue thirty-five years earlier when he urged the policy of flooding the American markets with wares made by Britons. There is no hint in Lord Brougham's utterances that he thought this country was deficient in natural resources or that its people lacked the capacity to develop them. On the contrary, he acknowledged what free traders subsequently endeavored to conceal, namely, that America gave great promise of becoming a manufacturing country, and for that reason was to be dreaded. He said: "It is well worth while to incur loss upon the first exportation in order by the glut to stifle in the cradle those rising manufacturers in the United States which the war had forced into existence contrary to the natural course of things."

The phrase "natural course of things" employed by Brougham was not used by him to express the idea that the United States was unfitted by nature to engage in manufactures; what he meant to imply was that this country had been permitted during the period of the Napoleonic wars to develop its industries in a fashion which he assumed would have been impossible if the British had not had their attention engaged elsewhere. His suggested remedy, and his accompanying statement of the fact that immense quantities of manufactured goods were shipped to the United States with the distinct purpose of so reducing prices that the Americans would be discouraged, show his clear conception of the fact that whatever advantage Great Britain enjoyed at that time was purely artificial and that in his judgment it was essential to the continuance of British prosperity to prevent this country creating for itself similar advantages by a resort to art.

The curious doctrine that there is a natural division of

the countries of the world into producers of rude and finished products did not emerge until the whirl of business prosperity began to confuse the minds of English scholars. Not until then did they discover that some peoples were adapted to the production of rude products and that others were fitted by nature to fashion them into finished articles. It was not until the United States and Australia began pouring into England their gold in exchange for manufactured products that the Cobdenites took up the idea. Then, impressed by the magnitude of British industrial operations, they fancied they saw in their rapid expansion manifestations of a provident nature.

It was about this time that the Manchester school began to assert "that to our beloved land, Great Britain, has been assigned the high mission of manufacturing for her sister nations. Our kin beyond the sea shall send to us in our ships their cotton from the Mississippi valley; India shall contribute its jute; Russia its hemp and its flax; Australia its finer wools; and we, with our supplies of coal and ironstone for our factories and workshops, our skilled mechanics and artificers, and our vast capital, shall invent and construct the necessary machinery, and weave these materials into fine cloth for the nations; all shall be fashioned by us and made fit for the use of men. Our ships which reach us laden with raw materials shall return to all parts of the earth laden with these our higher products made from the crude. The exchange of raw for finished products under the decrees of nature makes each nation the servant of the other and proclaims the brotherhood of man. Peace and good will shall reign upon the earth; one nation after another must follow our example, and free exchange of commodities shall everywhere prevail. Their ports shall open wide for the reception of our finished products, as ours are open for their raw materials."\*

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\*Carnegie, *The Manchester School and To-Day*, Nineteenth Century, February, 1898.



It is surprising that those who developed this extraordinary idea should have ignored the remarkable results achieved by Great Britain by pursuing a course which indicated that fortune attended only those peoples who diversified their industries, or that they should have chosen to disregard the experience of the United States, which demonstrated conclusively that no nation could increase in wealth and importance by devoting itself solely to agriculture, no matter how naturally adapted the country seemed to such a pursuit. But above all things it is amazing that writers who professed to regard Adam Smith as their teacher and guide should have believed it possible for practical men to read his book without profiting by the hints and warnings contained in its pages.

The American colonists were familiar with Smith's "Wealth of Nations," and it is quite evident that it made a profound impression upon them. There is abundant evidence in the economic writings and acts of the founders of the United States that they regarded the commercial success achieved by England as due to the practice of a policy such as that outlined by the Scotch economist in the passages in which he describes the result of a manufacturing country exchanging "a small part of its manufactured produce" for "a great part of the rude produce of other countries." And they were equally convinced that "a country without trade and manufactures is generally obliged to purchase at the expense of a great part of its rude produce a very small part of the manufactured produce of other countries."\*

The writers of history usually manage to obscure the motives of those who inspire great movements, and in the case of the American revolution they achieved more than the ordinary degree of success. The opinion commonly held that the struggle was merely over a question of taxation is not tenable. The underlying cause of colonial discontent was

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\*Smith, *Wealth of Nations*, Book IV, Chap. IX.

the perception of the fact that the colonies were being exploited for the benefit of the mother country, and that in pursuance of this purpose every possible obstacle was placed in the way of the development of a domestic manufacturing industry.

All of the reflecting colonists accepted without cavil Smith's assertion that the growth of towns is beneficial to an agricultural people. The argument that the proximity of city and town is highly advantageous to farmers appealed to the latter with great force.\* On this account they were eager to have manufactures established in their midst. They were anxious to give a practical application to Smith's statement that "the corn which grows within a mile of the town sells there for the same price with that which comes from twenty miles' distance."

The rational view that workshop and farm could profitably be brought together, to which Smith gave so much prominence, was the one which had the most attraction for the agricultural class. They were thoroughly convinced that the price of their products would "be increased by what had usually been the expense of transporting them to distant countries," † if they brought farm and factory together, and they were not deterred by Smith's contradictory assertions regarding the scarcity of capital, and his deprecation of any other than a natural development, from attempts to artificially stimulate manufactures.

Being sensible men, the colonists regarded with distrust Smith's assurance that "perfect freedom of trade would be the most effectual expedient for supplying them, in due time, with all the artificers, manufacturers and merchants whom they wanted at home, and for filling up in the properest and most advantageous manner that very important void

\*Smith, *Wealth of Nations*, Book III, Chap. I.

† *Ibid.*

‡ *Ibid.*, Book I, Chap. XI.

which they felt."\* They attached the same importance to the promise that reasoning persons do to those passages in Holy Writ in which the faithful are assured that prayer will be rewarded by material benefits. The colonists were willing to believe that all the things promised might be secured some day, but they asked themselves when that day would arrive. "Due time" was too vague a date to suit them, because they felt that it might not arrive for centuries, and some even believed it would never come.

The colonists, and afterwards the revolvers, had no confidence in Smith's assumption that "no regulation of commerce can increase the quantity of industry in any society beyond what its capital can maintain."† In rejecting the theory they showed a nice discrimination, because they found in another part of his work distinct assurances that it was not necessary for each society to create its own capital. He had told them elsewhere that "the mercantile capital of Holland is so great that it is continually overflowing, sometimes into the funds of foreign countries, sometimes into loans to private traders and adventurers of foreign countries," and that "the capital of Holland necessarily flows towards the most distant employments."‡ But they scarcely required the information, for even at this early day Dutch money was seeking profit by promoting manufacturing on this side of the Atlantic.

Despite the testimony of Smith and the experience of this and other countries, the theory that in order to successfully build up a manufacturing industry the people of a new country must precede such attempts by accumulating a domestic capital still prevails. The Cobdenites, in the face of a plethora which has forced interest rates to a minimum and which is responsible for colossal swindling speculative undertakings, still insist that attempts to create a manu-

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\*Smith, *Wealth of Nations*, Book IV, Chap. IX.

†*Ibid*, Book IV, Chap. I.

‡*Ibid*, Book IV, Chap. VII.

facturing industry in a country like the United States is bad economy because it diverts capital from more profitable pursuits.

Even in the time of Smith there was no foundation for the assumption that the promotion of manufacturing enterprises in the colonies would have been at the expense of agriculture. The latter industry never lacked capital; on the contrary, its striking peculiarity was the rapidity of its expansion and consequent injury to the producer, who suffered from the results of overproduction. This feature has been the dominating one in American agriculture since colonial days. In the vernacular, "farming has always been overdone in the United States." Therefore the industry could not have suffered from having capital diverted from it. On the contrary, those engaged in the pursuit of agriculture must have been benefited rather than injured by the introduction of a manufacturing industry, no matter from whence the capital for its creation was derived.

This extended reference to the experience of the United States may appear to the reader to be a digression from the discussion of the question whether nature designed some countries to be producers of raw and food products while it set aside others for the profitable occupation of converting raw materials into finished products, but the illustration was required to expose the fallacy of the Cobdenistic theory under review, which was more directly applied to this than any other country.

Those who have failed to follow the wanderings of free trade theorists may hesitate to accept the quotation here commented upon as indicative of the real opinion of the Manchester school of economists. Its effusiveness may raise the suspicion that it was a sentimental view rather than a practical discussion of the matter in question. But the reader may easily be assured that it accurately represents the opinion entertained by a vast number of sober, reflecting Britons. Skepticism on this point will be removed by a

resort to the pages of Spencer's voluminous works, which are filled with proof that the belief was almost universal in England that that country was fitted by nature to be the world's workshop.

In developing his extreme views of individualism Spencer furnished illustrations and drew inferences from them which clearly establish that he was as much the victim of this particular hallucination as the most extreme adherent of the Manchester school. By unequivocally endorsing McCulloch's assertion that "each country has some acquired or natural capabilities that enable it to carry on certain branches of industry more advantageously than any one else," Spencer committed himself to the theory that some time about the middle of the nineteenth century the conditions of industry had become fixed. And when he advised his fellow countrymen that they would injure themselves by refusing to buy manufactured goods from foreigners when they could do so economically, he virtually assumed that it would be unwise to attempt to meet the conditions that the superior skill or greater experience of a rival people had created. In short, Mr. Spencer's attitude on this subject is that of a man who believes that present gain is of more consequence than improvement.\*

This is a singular line of reasoning for an evolutionist to have followed, discrediting, as it does, the main postulate of the philosophy that man is constantly improving. If a nation has acquired capabilities by which its people are enabled to manufacture certain articles more cheaply than the people of any other nation, obviously because the latter are deficient in those capabilities, then Mr. Spencer urges that it would be folly for the present incapables to refuse to buy cheaper articles. This is tantamount to advising the abandonment of all effort on the part of deficient peoples. No matter what latent abilities they may have, no attempt must be made to develop them, because, forsooth, a portion of them

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\*Spencer, *Social Statics*, Pps. 216—218.

would temporarily suffer by being deprived of the opportunity to buy commodities on better terms elsewhere.

Such a conclusion could only be reached by a man whose devotion to an idea had become a mania. A less gifted person would have easily recognized that had such a theory prevailed several centuries ago the boasted progress of the British would not have been matter for contemporary historians to record.

Mr. Spencer's views regarding the efficacy of individual effort have caused him to miss the significance of many of the facts he has recorded and to confuse results proceeding from different causes. In the case here instanced he has virtually assumed that the cheapness due to natural advantages and that resulting from acquired abilities do not differ, and that it would be vain for the people of an undeveloped country to attempt to fit themselves to contend against rivals who had gained skill by practice and experience.

No reasonable person, however, will insist that natural advantages and acquired capabilities can be properly coupled in this fashion. It is easy to comprehend that all things else being equal a people with superior natural advantages must prevail over competitors not so well favored, but it is impossible to conceive of a people with superior natural advantages, and the capacity and disposition to develop them, lagging in the industrial race unless some artificial obstacle is imposed.

That such obstacles have constantly been interposed to prevent the advancement of undeveloped peoples we know. History abounds with illustrations of the fact and some of them have been adduced by Mr. Spencer, but he has with a singular pertinacity chosen to regard every acquired advantage as a natural one and has assumed that every deficiency or backwardness in undeveloped peoples, brought about by the aggressiveness of nations in an advanced stage of industrial development, is due solely to natural causes.

That this assertion does not misstate Mr. Spencer's views

the following extract from a discussion of the subject of "Sanitary Supervision" will show. The quotation will also exhibit the grossly erroneous estimate of the capacity of foreigners made by Mr. Spencer, as well as the defects in his extreme views of *laissez faire*. After arguing at some length that even precautions against disease may be more safely left by society to individual effort than to governments acting in a co-operative capacity, he says:

"Should proof of this be asked, it may be found in the contrast between English energy and continental helplessness. English engineers established the first gas works in Paris, after the failure of a French company; and many of the gas works throughout Europe have been constructed by Englishmen. An English engineer introduced steam navigation on the Rhone; another English engineer succeeded in ascending the Danube by steam, after the French and Germans had failed. The first steamboats on the Loire were built by Englishmen; the great suspension bridge at Pesth has been built by an Englishman; and an Englishman is now building a still greater suspension bridge across the Dnieper. Many continental railways have had Englishmen as consulting engineers; and in spite of the celebrated mining college at Freyburg, several of the mineral fields along the Rhine have been opened up by English capital employing English skill.

"Now, why is this? Why were our coaches so superior to the diligences and *eilwagen* of our neighbors? Why did our railway system develop so much faster? Why are our towns better drained, better paved and better supplied with water? There was originally no greater mechanical aptitude, and no greater desire to progress, in us than in the nations of northern Europe. If anything, we were comparatively deficient in these respects. Early improvements in the arts of life were imported. The germs of our silk and woolen manufactures came from abroad. The first water

works in London were erected by a Dutchman. How happens it, then, that we have now reversed the relationship?

“Manifestly the change is due to difference of discipline. Having been left in a greater degree than others to manage their own affairs, the English people have become self-helping and have acquired great practical ability. While, conversely, that comparative helplessness of the paternally governed nations of Europe, illustrated in the above facts, and commented upon by Laing in his ‘Notes of a Traveler’ and by other observers, is a natural result of the State superintendence policy—is the reaction attendant on the action of official mechanisms—is the atrophy corresponding to some artificial hypertrophy.”

This passage was published originally in 1850, but the work in which it appeared was abridged and revised in 1892, and its author apparently had observed nothing in the meantime to induce him to change his views, for he permitted the paragraphs to stand without correction. Yet the world has been afforded conclusive evidence that the nations of northern Europe have not suffered from atrophy, and none are better informed on that point at present than Mr. Spencer’s own countrymen, who have been driven to various expedients to protect their industries from the encroachments of their “helpless Continental neighbors.” The citation of the statistics of the industrial growth of Germany since 1872, when protection was adopted by that country, will be sufficient to tumble all of the English philosopher’s assumptions to the ground, for they show indisputably that under a policy of State superintendency and encouragement Germany has made a relatively greater progress in manufactures, and in the other arts indicating an advancing civilization, than Great Britain did before or after the repeal of the corn laws.

Such a demonstration, however, is reserved for another chapter; in this place the desire is to concentrate attention on the fact that Mr. Spencer disingenuously conceals the fact that the British reached the condition of superiority which



he described, and which they undoubtedly held when he wrote in 1850, by the very methods which he assumed resulted in keeping northern Europe in a state of helplessness. Had the English been infected with the ideas of the Cobdenites as early as the time of Edward III. they would not have imported Flemish weavers to teach them the art of manufacturing cloth; they would have continued to import such fabrics from Flanders because the Flemings could make them more cheaply, and would consequently have remained a pastoral people, contentedly assuming that nature had destined them to raise sheep so that the Dutch might have abundant supplies of cheap wool.

Had not successive English sovereigns and their advisers devoted themselves to promoting manufactures on British soil, accomplishing their purpose by shutting out the cheap fabrics and articles of continental neighbors, Great Britain would never have acquired the capital which enabled her enterprising people at a subsequent period to open the mineral fields near Freyburg and in other countries. Had there been a victorious school of Manchester economists in the fourteenth century the British would never have acquired the mechanical skill which Spencer so glowingly describes, and which, according to his and other accounts, gave the British an enormous advantage in all the fields of industry throughout the world.

It is singular that Spencer, who, as we have seen, lays so much stress on the results of interdependence, should overlook the fact that the results of a successful Cobdenism would have been to promote a one-sided and therefore incomplete development of the world. If the nations of northern Europe, whose helplessness was so marked in 1850, had remained content to accept the, at that time, immeasurably cheaper manufactured products of the British, how many important inventions would have been lost to the world? Does any one imagine that the United States would have attained its present high degree of mechanical skill if the

suggestions of the Cobdenites had been accepted? Would it have been possible for this country to have established a manufacturing industry if England had been permitted to follow out the programme outlined by Brougham and so fully described by McCulloch when he elaborated his theory that nature fitted some countries for manufacturing purposes and others to be the producers of the rude products of the earth?

It has been the fashion in the past to deride what has been called the "infant industry" theory, but the effects of judicious protection are too pronounced and the examples of its success are too numerous to permit sane persons to indulge in further derision. It is now admitted by the most careful writers that the tendency of capital to localize itself within a country, unless interfered with, would manifest itself continually in a more pronounced fashion if the whole world were devoted to free trade. Nicholson notes that under certain conditions capital and labor would not move at all or only with great difficulty; that is to say, that under those conditions there would be no mobility or only imperfect mobility.\*

The truth of this observation becomes manifest when we consider the tendencies of capital and labor within the narrow sphere of a single country. When we inquire into the origins of the industries we find that many of them were established in the places where they now flourish owing to the existence at the time of their establishment of fancied or real natural advantages. Once strongly rooted, however, they are continued, even though the advantages primarily enjoyed may have entirely disappeared and in their stead positive drawbacks may have arisen.

This is certainly the case of Manchester, the original seat of the factory cotton spinning and weaving industry of Great Britain. During the years while the United Kingdom enjoyed superior advantages in the prosecution of this line

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\*Nicholson, Principles of Political Economy, Vol. II, p. 295.

of manufacturing, enormous plants were created. These prospered greatly until rivals who had refused to accept the theory that the cheapness due to acquired ability should give a permanent advantage over people with natural resources, began to compete. Then Manchester was compelled to resort to artificial devices to preserve the industry she had created from the encroachment of those who were nearer to the source of supply of raw material.

At the cost of a great bonded indebtedness a canal was constructed connecting Manchester with the sea, which was opened in 1894. During the first year after the construction of this artificial waterway 1,280 sea-going vessels and 1,660 boats for coast traffic passed up to Manchester, and for the nine months ending September, 1896, the traffic was 1,300,000 tons, an increase of 350,000 tons over the corresponding period of the year before. "This development within three years," remarks a writer who has given especial study to the effects of ship canals, "of a trade approaching that of Amsterdam in volume, is not without significance, and with a continued increase Manchester may become an important shipping point," even though the canal may from the investor's point of view be a source of discouragement owing to the heavy cost of construction, which was almost equal to that of the Suez canal.\*

This success is indeed significant, and in many other ways than the one which the writer had principally in mind. It emphasizes the fact that capital can in the face of vigorous competition reverse the operations of natural laws for such long periods that they deserve to be considered by people who live in the present as practically permanent. What, then, would have been the result if the world had acquiesced in the theory that an acquired industrial ability should be recognized as a natural advantage? Let the reflecting reader

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\*Fairlie, *Economic Effects of Ship Canal*, Pub. Am. Ass'n of Pol. and Social Science, April, 1898.

ask himself what mankind would have gained had Americans and others accepted the advice given by Mr. Spencer in 1850, and instead of attempting to manufacture cotton cloth for themselves had sent their raw product to Manchester to be converted into fabrics? Would it not have resulted in the creation of an enormous monopoly, the effect of which would have been to prevent the growth of the use of cotton textiles? And would not the concentration of the industry in one quarter of the globe have militated against the working out of that system of integration which the author of evolution extols and which he assures us is the distinctive mark of an advancing civilization?

If the tendency of capital is as here described it is clear that a resort to artificial means of dispersion of industry is necessary if the world is to be saved from a sharp division into superior and inferior nations. Without such a dispersion a few countries would enjoy all the profits of a highly developed civilization, with its great cities, universities, museums and the other accessories which contribute to the broadening of the minds of men and minister to their gratification, while the others would remain producers of raw materials and food products, whose inhabitants would be as "hewers of wood and drawers of water" for the more favored peoples.

Had Americans accepted the role marked out for them by the Manchester school there would have been no advance from the homogeneous to the heterogenous in the United States. Simple conditions would have prevailed indefinitely. The producers of rude products, unless influenced by environment, advance but slowly. The conditions which prevail in a purely agricultural country are repeated century after century, and there is reason to believe that when such peoples are left to their own devices they will retrograde.

There is abundant evidence that the Gauls before the advent of the Romans had made much progress in the manufacture of agricultural implements. Pliny tells us "there

has been invented at a comparatively recent period in that part of Gaul known as Rhaetia a plow with the addition of two small wheels and known by the name of *plaumorati*, the extremity of the share of which has the form of a spade, and which is only used in cultivated fields and upon soils which are nearly fallow."\* The same author also tells us that "in the vast domain of Gaul, a large hollow frame armed with teeth and supported on two wheels is driven through the standing corn, the beasts being yoked behind it, the result being that the ears are torn off and fall within the frame."†

These devices for cultivating and harvesting were so incomparably superior to those employed by the Romans that the idea at once occurs that those who used them must have been in contact with a people who had developed considerable mechanical ingenuity. When we inquire into the matter we find that in sections of Gaul greater progress had been made in the manufacture of iron and other metals than the Romans had achieved. Pliny and Strabo testify to this, and a modern historian who gave attention to this phase of Gallic development admits that the evidence is clear on this point. He tells us that "their copper implements were not infrequently of excellent workmanship; that the carefully adjusted gold couns of the Auvernians were striking witnesses of the ability of the Celtic workers; that the Romans learned the art of tinning from the Bituirges and that of silvering from the Alesini."‡

It is impossible to avoid linking these facts together, and consideration of them forces the conviction that the progress made by the Gauls in agriculture was largely owing to the synchronous development of other industries. In later times, when disorder and other causes contributed to the destruction of manufacturing ability in Gaul, agriculture

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\*Pliny, Natural History, Book XVIII, Chap. XLVIII.

†Ibid, Book XVIII, Chap. LXXII.

‡Mommsen, History of Rome, Book V, Chap. VII.

shared in the decadence. The improved implements above described, whose characteristics strongly resemble certain nineteenth century inventions, fell into disuse, and finally, during the period when the country once known as Gaul became purely agricultural, the farmer reverted to the wooden plow and employed the rudest imaginable devices for cultivating the soil and harvesting his crops.

In Italy during the Empire agriculture and market gardening particularly had attained a high degree of perfection. Under the stimulus of the demand of a great town population the poulterer had developed artificial incubation to such an extent that the Romans were chiefly supplied with machine-produced poultry.\* When the Roman power decayed and Italy reverted to agriculture this art was lost and not revived until the demands of great commercial nations made its practice profitable.

These instances might be supplemented with hundreds of others all pointing to the snail-like pace made by peoples in their progress towards heterogeneity whenever there is a failure to bring about that complete interdependence which results from the calling into play of the inventive faculties of man by diversifying industries. Many modern economists, misled by the apparent advantages of the subdivision of labor, have failed to recognize that the principle may be carried too far. They have assumed that because subdivision works well within limitations the principle cannot be carried to excess, but it is obvious that if the effect of completely developing along such lines would be to make one country the manufacturer of finished articles and all the rest of the world a producer of raw products, mankind, as a whole, would not be a gainer. The outcome of such a development would be one overmastering nation, with all the advantages which wealth and knowledge confer, and various feeble peoples with wants and aspirations little beyond those of yokels, and entirely dependent upon the superior people.

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\*Pliny, Natural History, Book X, Chap. LXXVI.

That many Cobdenites hoped that their policy would achieve such a result is undeniable, and that others who attempted to elaborate theories designed to show that mankind would be benefited by accepting the assumption that Great Britain was peculiarly fitted to be the world's workshop were working toward the same end seems equally certain. Had they succeeded there can be no doubt that the spread of civilization would have been greatly retarded. Had the United States and other nations which have deemed it prudent to secure for themselves home manufacturing industries by making temporary sacrifices been diverted from their purpose by the arguments in favor of cheapness the result would have been an universal arrest of development.

To have accepted as sound the conclusion that a superiority in the matter of production which was the result of the acquired ability of a certain people is the equivalent of a natural advantage would have been fatal to progress. It must have inevitably resulted in the atrophy of the peoples assenting to the idea that they would serve themselves best by refusing to develop all the resources at their command, and it would have entailed upon the nation enjoying the monopoly of manufacturing all the evils which flow from excessive power, not the least of which would be the necessity of keeping in subjection the envious barbarians which such a system must have called into existence.

## CHAPTER VI.

### INTERNATIONAL FRICTION.

#### THE FALLACY OF THE COBDENIST IDEA THAT FREE TRADE MAKES FOR PEACE.

Why Cobdenism fails to promote peace—The prevalence of the national idea—Objects of protectionists misrepresented—A desire to injure others could never operate as a successful stimulant of trade—No industry promoted except by a desire for gain—Protection necessary to equalize taxation—Burdens voluntarily assumed by Americans to carry out their views of government—International friction due to the aggressive attitude of nations desiring to export their surplus products—Free trade responsible for numerous wars waged to advance trade—Continuous aggression and carnage the record of Great Britain since the repeal of the corn laws—England's unhealthy commercial development responsible for most modern wars—What must happen to Great Britain when the opportunities for expansion cease—The non-scientific character of the present system of international trade—It must give way to a rational exchange of non-competing products—Absurdities of roundabout foreign trade—Example of Brazil.

In the course of the examination of the view held by the early Cobdenites that the countries of the world were divided by nature in such a manner as to make some of them fit only to be producers of raw materials and food products, while others were adapted to manufacturing, it was seen that Britain's greatest thinkers had permitted themselves to confuse natural and acquired abilities. Some of the possibilities that would have ensued had this theory been generally accepted were glanced at, and others were reserved for further and more ample treatment. In this



chapter an inquiry will be instituted to ascertain the probable effect upon international relations had Cobdenism been accepted without reserve by the whole world.

At one time it was assumed by the adherents of the Manchester school that free trade, so called, would bring peace and good will to the whole earth.. Writers with perception enough to distinguish that the springs which have moved men in all times and all countries were oftener of a commercial than a political nature rashly concluded that the substitution of unrestrained competition for the crude devices resorted to in ancient and modern times to promote national industries would remove from rural peoples the incentive to make war on each other. A brief experience has demonstrated the fallacy of this view, which never would have found adherents had not the theory of the division of the earth into nations with varying capacities and resources been elaborated.

Had there been any foundation for the assumption that Great Britain was destined by nature to be the world's workshop; had it been demonstrable that the British enjoyed advantages as manufacturers which no other people could hope to equal; had there been any truth in the assertion that Britons were endowed with abilities which would always make them more skillful than other men, there might have been a ready acquiescence in the idea that mankind generally would profit if the industrial status of the nations as established in 1850 should be considered final.

But none of these claims was sound. It was instinctively perceived by the people of all the western nations that England's superiority was merely the result of acquired ability, and the processes by which British skill was promoted were perfectly familiar to all readers of history. Under the circumstances, it would have been amazing had practical statesmen accepted any of the more pronounced views of the Manchester school.

Closet thinkers, accustomed to accomplishing the marvel-

ous feat of creating, in their minds, a perfectly homogeneous world, with peoples having identical interests, found no difficulty in assenting to propositions which assumed the possibility of obliterating by economic processes national distinctions, race prejudices and all the results of thousands of years of differentiation. But practical men, outside of Great Britain, unless blinded by self-interest, universally rejected the professed benefits of Cobdenism and elected to work out their own industrial problems without the assistance of British advice, relying upon the teachings of British experience rather than upon the guidance of visionaries.

The refusal to regard theories with more reverence than the teachings of experience has subjected protectionists to much misrepresentation. Their objects have never been fairly stated by Cobdenites, who have not hesitated to attribute to them motives and purposes of which they are entirely innocent. Such a course was forced upon the Manchester school, whose adherents found it necessary to provide a foil to bring into relief the virtues claimed for their system.

As an illustration of this system of perversion we may quote the following assertion of Professor Rogers: "As the origin of protective enactments was a desire that a nation should profit by the loss of another nation, and as the extension of this feeling is the primary motive of war, so a permanent or persistent division of international interests, with the objects of sustaining or promoting municipal or rather particular interests, is a fruitful source of international difficulties. It is, in fact, what Thucydides calls, speaking of the caution with which commercial intercourse was carried on in the days which preceded the great Peloponnesian war, an unproclaimed war."\*

Now, there is absolutely no foundation for the assumption that protection was inspired by any such desire as that referred to. Unless the authorities already quoted

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\*Rogers, Article "Free Trade," Ency. Brit.

are unreliable we must assume, in the case of the English protectionists at least, that the prime purpose of those who advocated restrictions upon the importation of foreign goods, or the exportation of domestic products, was to promote home industry or in some other way to subserve the interests of Englishmen.

Simon de Montfort, Edward III and his councilors, and Elizabeth and her advisers were all animated by the common purpose of providing work for the British people, and of otherwise improving their condition, when they attempted by restrictive measures, directed against foreigners, to stimulate manufacturing within the kingdom. And Mun, whose contemporary statement of the motives of eighteenth century English protectionists is more reliable than the imputations of a nineteenth century free trader who had a point to make, has assured us in the most explicit terms that the object of those who agreed with him was "to make the most they could of their own."

This has been the consistent aim of protectionists in all times, and it is the only one which rational men can be expected to pursue. That the pursuit of such a policy does often work an injury to a rival may be admitted, but it is absurd to assume that it is the purpose of those who are trying to advance their own interests by developing near at hand resources to inflict injuries upon others by pursuing such a course. As well might the charge be made that it is the object of every tradesman who starts a new store in opposition to those already established to injure those who had previously occupied the field. That may be the result of the new venture, which may cut down the trade of those who were earlier on the ground, but the fresh competitor must be assumed to have entered the competition for personal gain and not to gratify a desire to injure others.

This latter motive could never be sufficiently strong to promote a genuine rivalry in trade, and it may be asserted

with positiveness that it does not operate in the case of nations any more than with individuals. Had the free traders not misled themselves on this point they might have escaped the blunder of assuming that the framers of protective measures could never achieve their object of building up a profitable business.

It was natural enough, however, for men who had deliberately adopted the idea that protection was based on a desire to do injury to others to conclude that such a policy could never succeed. Had they studied human nature more closely they would have perceived that only a desire for gain could be at the bottom of a long-continued effort to develop a national industry, and that motives of the sort described by Rogers and others would be absolutely ineffective in the face of even a pronounced suspicion that the policy of revenge was unprofitable.

The facts of history and the suggestions of common sense unite in refuting the Cobdenite idea that the object of protectionists is to injure their neighbors, but it may be worth while to inquire whether the adoption of a protective policy—which simply means, according to the modern definition of the term, a resort to such methods of taxation as will favor the home as against the foreign producer—is calculated to cause friction among nations, and, if so, whether it should be avoided on that account; and, on the other hand, it may be well to investigate the claim that free trade would bring peace to the whole world, as was assumed by Cobden, Bright and others.

Touching the first branch of the subject, it may be freely admitted that when a country undertakes to develop its own resources it immediately excites the jealousy of foreigners who have hitherto supplied the articles which under the changed conditions will be produced at home, but examples of wars waged on such an account are extremely rare, and none is likely to occur in the future. At least, if they do the fact that they result from such a cause will

be carefully obscured, for no modern statesman dare openly advocate the doctrine that a nation has not the right to absolutely regulate its own system of trade and taxation.

Nothing short of the adoption of an universally homogeneous system of commerce and fiscal management would warrant a surrender of the sovereign right of regulating trade by a nation, and as such a union of the nations is inconceivable; all theories based on assumptions of what might occur if the question of nationality were eliminated may be dismissed as valueless.

As long, therefore, as nations maintain different systems of government and are animated by varying political ideas and sociological considerations there can be no such thing as perfect equality of taxation. The United States has elected to reward the survivors and the dependents of those who fought for the Union in the Civil War by paying pensions which amount to as large a sum annually as that paid to maintain the greatest military establishment in the world; the various states composing the federal union have imposed upon themselves an annual burden for educational purposes vastly exceeding that borne by the people of any other country to promote a similar object. In many respects the views of Americans regarding the administration of governments, national, state and municipal, differ radically from those of other peoples, and the carrying out of these views entails upon the citizens of this country taxation for purposes to which the foreigner is a stranger.

The American people bear these burdens cheerfully, because they are voluntarily assumed, but they would not continue doing so if they were compelled to witness the spectacle of the foreigner enjoying an advantage over them in their own markets.

That such an advantage would be afforded if American ports were freely opened to the importation of competing foreign goods is undeniable. If the English manufacturer of articles of iron and steel is permitted to sell his prod-

ucts in the United States without paying an equalizing tax in the shape of a customs duty, he enjoys a positive advantage over the American manufacturer, who has been called upon to contribute to the creation of the pension fund, who assists in maintaining our costly system of common school education and who helps bear the other burdens of taxation peculiar to the nation, state or municipality in which he lives and works.

It is no answer to this assertion that a protective tax is equitable to say that the manufacturers of other nations are also taxed, perhaps more heavily than those of the United States. That may be true, but the taxation of the foreigner may be levied to accomplish aims entirely different from those of the protective country. He may even impose taxes for the purpose of destroying the trade of rivals.

As an illustration, Great Britain maintains an enormously expensive navy, ostensibly for defensive purposes, but really to further the main object of her fiscal system—the extension of her external commerce. The assumption is that the British manufacturer assists in supporting this establishment and that he does so out of the profits of his industry. This being the case, the foreigner who affords the Briton free access to his markets occupies the anomalous position of indirectly contributing to the resources employed to maintain a navy whose chief function is to keep open the avenues of British trade.

No sophistries or alluring presentation of the benefits of cheapness can disguise this fact. It is plainly perceived by practical men who do not allow their minds to become clouded by partial statements of a case, but who insist upon examining it in all its bearings. The result of such scrutiny is the practical rejection of the free trade theory by all peoples possessing the progressive instinct.

It being indisputable that there are different national aspirations and methods of government which result in inequalities of taxation, and, further, that there is absolutely no

prospect of the elimination of these differences, the most sanguine free trader expressing no such hope, it is undeniable that nations have a moral right to adopt such measures as will enable them to pursue the course which the genius of their institutions prompts them to follow.

If Americans persist in the desire to broaden the national intelligence, and to that end go on increasing their costly common school system, it does not lie in the mouth of Germans, who expend great sums on their military establishment, or of the British, who appropriate vast amounts for their navy and the maintenance of paupers, to say that we may not so adjust our system of taxation that the burdens of the home producer will be equalized in the event of the admission of foreign competing products to the markets of the United States.

Nor is it good logic or fair reasoning for authors of standing to assume that a people who practice an economic policy based upon the recognition that it equitably adjusts the differences, artificial or natural, which may exist between nations should be held responsible for friction that may grow out of their refusal to be exploited at the expense of foreigners. It would be as reasonable to charge an inoffensive citizen who was attacked by a vicious bulldog while walking a public street with being the aggressor as it is for free traders to assert that collisions between nations which are clearly traceable to the persistent efforts of peoples with established industries to force their wares on those who do not want them are due to protection.

In any aspect of the case it is impossible to make it appear that the exercise by a nation of the right of regulating taxation so as to give its own producers an equal show in the home market affords a reasonable pretext for making war, and, as has already been observed, there are few, if any, instances of war resulting directly from the exercise of this right.

It may be safely affirmed that there is absolutely no in-

stance of a protective nation having created a difficulty serious enough to justify a rival proceeding to extreme measures. But that much cannot be said for free trade England. Instead of setting an example of peace since the repeal of the corn laws Great Britain has been constantly making war, and for no other purpose than the extension of trade. A pretense is sometimes made that these conflicts were forced upon her, but the excuse commands no more respect than that offered by the wolf when it descended the stream to kill the lamb for roiling the water.

During the progress of the recent jubilee an English writer took occasion to enumerate these aggressive wars. He said: "The Victorian Age has been one of peace, but on examination it will be found that Great Britain has not been long without fighting somewhere. Scarcely a twelve-month has passed without finding our country at war in some part of the world. The following is a list of these wars: Afghan war, 1838-40; first China war, 1841; Sikh war, 1845-46; Kaffir war, 1846; second war with China, second Afghan war, 1849; Burmese war, 1850; second Kaffir war, 1851-52; second Burmese war, 1852-53; Crimea, 1854; third war with China, 1856-58; Indian mutiny, 1857; Maori war, 1860-61; more wars with China, 1860-62; second Maori war, 1863-66; Ashantee war, 1864; war in Bhotan, 1864; Abyssinian war, 1867-68; war with the Bazatees, 1868; third Maori war, 1868-69; war with Looshias, 1871; second Ashantee war, 1873-74; third Kaffir war, 1877; Zulu war, 1878-79; third Afghan war, 1878-80; war in Basutoland, 1879-81; Transvaal war, 1879-81; Egyptian war, 1882; Soudan, 1884-85-89; third Burma war, 1885-92; Zanzibar, 1890; India, 1890; Matabele war, 1894-96; Chitral campaign, 1895; third Ashantee campaign, 1896; second Soudan campaign, 1896."\*

When this bloody record of free trade Great Britain is

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\*North China Daily News, November, 1896.



compared with the annals of a protective country such as the United States it seems amazing that any writer should have the hardihood to assert that the tendencies of Cobdenism are peaceful and those of protection the opposite. During the period embraced in the Victorian era the United States waged but two external wars—those with Mexico and Spain. The first was inspired by men with Cobdenite proclivities, their object being to develop the country along the lines which the adherents of the Manchester school taught were the only ones that could contribute to the prosperity of the American people. That with Spain in its inception was a war for the sake of relieving a distressed people. During the rest of the time, with the exception of the years of our own Civil War—precipitated by free traders who were largely impelled to their course by British Cobdenites—Americans were busily employed developing their home resources, at peace with the world and giving no neighbor cause for offense unless it may be charged that the manifestation of the intention to render the nation as little dependent upon foreigners as possible was offensive.

No such claim can be made for Great Britain and British free traders. When the causes of the above list of wars are inquired into it is found that every one of them was directly or indirectly brought about by the necessity of extending the markets of the manufacturers of the United Kingdom or to collect the debts incurred by improvident peoples who were incapable of realizing that whenever the Briton bears abroad the torch of civilization, by introducing English habits and wares, he follows up his philanthropic movement with a big bill which must be paid.

No juggling with words can alter or conceal this fact. All the fantastic talk about the benefits of commercial intercourse will not suffice to obscure the predatory character of British warfare and its impelling cause, and it may be said that no such attempt is seriously made by English writers. The singers of jubilee odes and the scribblers of eco-

conomic theories made to fit the necessities of British trade occasionally indulge in laudation of the beauties of the modern intercourse promoted by Great Britain, but there are plenty of honest Englishmen who freely admit that the methods resorted to by the English of today to extend and preserve their foreign trade are as ruthless and cruel as those practiced by the Spaniards in their search for gold in America three or four centuries ago.

Cobdenism could not easily result otherwise. The unhealthy impulse given to the development of British resources by the ism has made such a course necessary. The pressure of population and the inequalities of wealth compel a constant search for means of relief. The industrial condition of the United Kingdom today resembles more than anything else that of a person inflicted with an inflamed and angry tumor, the supperation of which must be assisted to save the patient's life. England today must be assisted by the Government in order to relieve the humors and to save the body politic. The commercial wars constantly waged by the British are the equivalent of the relief afforded by the discharge of pus. When success refuses to further attend such efforts, when there are no more markets to open, the patient must succumb.

That free trade is responsible for this condition is indisputable. It is impossible to deny that the British have laid up extraordinary stores of wealth since the inauguration of the policy of maintaining open markets, but that does not affect the question at issue, which is, Can the United Kingdom permanently maintain its inordinately large population in the face of the growing competition of other nations rapidly achieving industrial independence and which are apparently determined to contest with Great Britain for the trade of the few peoples without capacity or ambition enough to provide for themselves? If this is answered in the negative, as it must be, then free trade, or Cobden-

ism, will stand forth as a confessed failure, because it has created a condition which cannot be maintained.

When true economy is practiced throughout the civilized world, when the workshop and the producer are brought closer together, then Great Britain will shrink to her proper proportions. It will be impossible then for the secondary work of roundabout trading to retain its present importance, for the future economist will teach and the sensible man will act on the theory that unnecessary transportation is a source of waste and must be eliminated as nearly as possible from perfected industrial systems.

When the soundness of this theory is clearly perceived a rational external trade will take the place of that now in vogue. Men will cease to commit the absurdity of buying at a distance of thousands of miles and importing at great cost articles which they can have manufactured as cheaply at their own doors. When this high stage of industrial and commercial development aimed at by protectionists is attained, exchanges between nations will be confined to non-competing products. In this term are included all those things which cannot be produced as cheaply by one people as another, not because of acquired abilities, for protection assumes that most enlightened people can reach the same plane of industrial ability if they make the effort and persevere in it long enough, but on account of some natural drawback, such as climate or lack of a particular raw material.

When such a trade supplants the wasteful and unscientific system of industrial exchange now prevalent friction between nations will be reduced to a minimum. It is inconceivable that the people of a country incapable of growing coffee should view with disfavor the importation of that commodity if it was procured by exchanging for it articles manufactured from iron or steel produced by those intending to consume the berry; but the importation of manufactured articles by nations with the capacity to produce similar

articles must always prove a source of irritation. The first named system of exchange is an excellent exemplar of a rational foreign trade; the latter furnishes a concrete illustration of the folly of wastefulness, and is no more commendable or worthy of imitation than the swapping of jackknives for the mere love of barter.

Still more productive of bad feeling is the trade which Adam Smith designates as the roundabout trade of foreign consumption. Applying the coffee illustration to this system of foreign trading brings into relief all of its exasperating features. Taking the three-sided relations of Brazil, the United States and Great Britain in the conduct of this particular sort of trade into consideration we find these absurdities: The United States imports from Brazil in a single year \$78,831,476 worth of produce, chiefly coffee, and that country takes American products to the value of \$13,827,914 in exchange; Great Britain, a relatively small consumer of Brazil's leading product, in the same year imported various kinds of produce from that country to the value of \$19,700,345, and exported merchandise, principally manufactured articles, to the value of \$37,629,830. The balance adverse to the United States was \$65,003,562, while Great Britain's favorable balance was \$17,929,485.

It only needs to be added to this that the English exports to Brazil were composed chiefly of manufactures of cotton, of iron, wrought and unwrought, manufactures of wool, coal and machinery, to show the incredible wastefulness of the roundabout system of foreign trade, for the statement calls attention to the fact that the people of the United States, instead of directly receiving their coffee from Brazil and paying for it with their own products, actually import coffee in British ships which sail from Brazil to ports in the United Kingdom and from thence to this country; and we are also reminded that the \$65,003,562 which represents our adverse trade balance with Brazil is not paid to the people of that country, but by a circuitous system of ex-

change goes to Europe to pay for products which had their origin, so far as the raw material and the food which supplied the energy to manufacture them are concerned, in this country.

Such a trade as this is economically indefensible. No matter what tributes may be paid to the middleman and the part he plays in the industrial world, it can never be made to appear that a useless service performed by him confers a benefit. The porter directed to carry a package to the house of a customer who lives in the next block, if he proceeds directly to his destination, may be regarded as a valuable assistant to the trader, but if he unnecessarily makes a detour which consumes his time and energy it will hardly be claimed that he has added to his value as a carrier by doing so.

Nearly all roundabout foreign trade closely resembles the circuitous operation of the porter suggested in the above simile; some of it may be performed with profit to mankind generally, but the most of it has no other recommendation than its tendency to multiply the parasites of industry.

Few people realize the extent of this parasitic growth and those who do are afflicted with the singular hallucination that it is a benefit rather than an evil. This misconception is largely responsible for the undue importance attached to external trade by the Cobdenites, and it has led them into many blunders, not the least of which is the curious one that a nation only profits by the extension of its foreign commerce.

This, and the correlating free trade error that it is impossible for a protective country to greatly extend its trade, will be examined in the next chapter, in which pertinent facts and illustrations will be furnished to buttress the claim made by advanced protectionists that the really desirable foreign trade is that which contemplates the exchange of non-competing products, and that the only sound national system of economy is the one which promotes a trade of this description.

## CHAPTER VII.

### WASTE OF ENERGY.

#### THE DISASTROUS EFFECTS OF UNNECESSARY EXTERNAL TRADE.

The whole world should be a workshop—Protection does not result in the promotion of exotic industries—Protection eliminates the element of wastefulness from external trade—No account taken by economists of the tremendous waste of energy involved in unnecessary transportation—Free trade violates the fundamental concept of economics that energy should not be unnecessarily dissipated—The waste involved in the unnecessary shipping of coal—The part played in the carrying trade by coal—Great quantities of coal shipped to countries having undeveloped coal measures—The exhaustion of the world's coal supply a greater evil than the destruction of forests—The waste of fuel the inevitable result of divorcing field and factory—Protection, by bringing factory and field together, reduces the waste of fuel to a minimum—The external trade of the future will give advantages to countries which have not wasted their stores of fuel—Protection calculated to promote external trade when a certain stage of progress has been reached—Advantages of holding the home market well in hand—American exports constantly increasing, while those of Great Britain remain stationary—England's excessive imports.

A recent contributor to a prominent British review, in an article filled with the old-time optimistic views of the Cobdenites, remarked: "Moreover, if free trade conquers—and its triumph is possibly nearer than we think—the artificial rivalries between nations resulting from the maintenance of exotic industries will give place to a system of universal co-operation; the world will become one great workshop, each place making and exporting what it is best fitted by

nature to produce, and finding its account in the prosperity not in the crushing out of the industries of other countries.”\*

The observant reader will note in this expression a decided shifting of the point of view of the earlier adherents of the Manchester school. These latter, writing in 1850, fancied that they clearly perceived that Great Britain was destined to be the world's workshop, but Mr. Law, from whom the quotation is taken, after studying the experiences of a half a century, reaches the conclusion that “the world will become one great workshop.”

The soundness of this conclusion is indisputable, but there is ground for viewing with suspicion the further assumption, which is more in the nature of an implication than a direct assertion, that the world will be equally benefited by a readjustment on the lines indicated by the writer. The phrase “artificial rivalries between nations resulting from the maintenance of exotic industries” suggests that Mr. Law's mind is still clouded with the idea that acquired ability is the exact equivalent of natural advantage. Undoubtedly he still fancies that nature has fitted Great Britain to be a better producer of textile fabrics than any other country, and that the present lead of the United Kingdom in that particular industry is more due to that cause than to the skill acquired by centuries of practice.

In the final analysis Mr. Law will see his mistake and find that inexorable competition will permit no such outcome as he hopes for. When the world becomes one immense workshop, each place making and exporting what it is best fitted by nature to produce, a great revolution will have been accomplished. In the process nations now riding on the crest of the wave of prosperity must disappear, or at least have their relative importance changed. It would be impossible to effect such a readjustment without greatly disturbing existing conditions.

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\*Law, *New Pleas for Old Remedies*, Westminster, June, 1896.

Mr. Law's error in assuming that the change will not result in the crushing out of rival industries is due to the ingrained Cobdenite habit of assuming that everything already established is perfectly natural, and that all attempts on the part of the people of the present day in new or undeveloped countries to imitate the methods by which the existing industrial conditions were brought about must be regarded as efforts to introduce the exotic, and that therefore they will fail.

This is a curious delusion which experience should have long since dissipated. It has been weakened somewhat of late years, but it is not likely to wholly die out until the decadence of the nation which gave it birth reaches a more advanced stage.

There is enough evidence existing, and more is rapidly accumulating, to destroy the confidence of those who advance this theory and who have employed it to strengthen the argument that open ports have made England supreme in commercial matters and will enable her to maintain the supremacy she has attained. Some of this testimony will be adduced to show that the relative position of Great Britain has greatly changed since 1850, but in the pages immediately following the effort of the writer will be devoted chiefly to the demonstration of the fact that protection increases the volume of external trade, and that in the future this trade will change its character so materially that wastefulness, which is now the most pronounced feature, will be nearly eliminated.

Prefatory to this demonstration, data will be introduced to show how largely the energy of mankind is dissipated in the performance of the work of unnecessary transportation. Mulhall informs us that "the actual traffic by rail and ship (of the world) is equal to 5,500,000 tons daily, in the transportation of which are employed 4,050,000 men; that is to say, each carrier of these two classes moves  $1\frac{1}{4}$  tons daily. Taking the working year as 310 days, the sum paid daily for



freight, in one or other form, is £3,800,000 by 193,000,000 persons engaged in various industries; thus each worker in the human family of the civilized nations of Christendom pays 5 pence a day for freight, or one-tenth of the fruits of his industry.

“The number of carriers compared to other workers is as 4 to 90, and the amount of capital employed in their calling represents 11 per cent. of the aggregate wealth of mankind. \* \* \* The capital represented by each hand employed in carrying is nearly £900; the wealth of all the rest of the world divided among the other workers (193,000,000 hands) is only £320 each. The earnings of each carrier, as we have seen average £135 a year; those of the other workers of the world only reach £52 each. Hence it appears that the carrying trade shows a very high ratio of capital and earnings to the number of hands employed.”\*

When these statements are considered with the attention they deserve several important inferences will be drawn from them, not the least among which is that the importance of transportation as a factor in the human economy has been greatly overrated because of its artificially abnormal development. It appears, according to the authority just quoted, that the total earnings of carriers in the western world in 1894 amounted to £1,173,000,000. This fabulous sum, which represents a tax of 10 per cent on the industry of other workers, appeals to the imagination to such an extent that many of the facts relating to these earnings are obscured. Economists of the professional stamp and practical every-day men are under the glamour of the mighty result and rarely ask how it is brought about.

So far as the writer's knowledge goes, no attempt has ever been made to determine what proportion of this hauling to and fro of products, raw and finished, is really necessary. While special instances of unnecessary transportation and

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\*Mulhall, *Industries and Wealth of Nations*, 1896.

consequent waste of energy impress a certain class of observers, particularly when their interests are directly affected, there is a general disposition to assume that, as a whole, the carrying facilities of mankind are employed beneficially.

That this latter conclusion is unwarranted is testified to—unconsciously, of course—by Mulhall, who tells us “that 40 per cent of the working power of the world is used for production, 60 per cent for transport or distribution, which latter is exactly the reverse of the ratios of 1840.”\*

It may at first be assumed that the enormous change here referred to has been the chief instrument in promoting the immensely greater accumulations of wealth which the world now knows, but a little reflection will soon suggest that other causes must have produced that result, and that transportation can only be credited with a share equal to its real utility.

It is certainly a mistake to assume that the carrier's labor contributes to the increase of the world's wealth when he takes the raw wool, filled with grease and filth which increase its weight, from the plains of California to a New England town, where it is cleansed and manufactured into woolen goods to be returned again to California to be consumed by the populations in whose midst the flocks from which the original wool was shorn are raised.

During the year 1897 the imports of iron ore into Great Britain reached 5,968,680 tons, a quantity representing an output of 3,000,000 tons of pig iron, or the annual produce of 100 blast furnaces.† More than 5,000,000 tons of this ore was from Bilboa, in Spain. Turning to the tables showing imports into the latter country we find that in 1894 metals and the manufactures thereof to the amount of 24,490,107 pesetas were bought abroad, principally in Great Britain, and that the imports into Spain of machinery and vessels in the same year were valued at 31,628,131 pesetas.‡ Will

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\*Mulhall, *Industries and Wealth of Nations*, 1896.

†British Board of Trade Returns, 1897.

‡Statesman's Year Book, 1897.

any reasonable person assert that there was an economic gain in these transactions, or that the shipment of raw cotton from the United States to England to be manufactured into cotton cloth and in that shape returned to the former country did not represent a waste of industrial energy?

It would be impossible to even approximately determine the extent of the waste of energy resulting from the unnecessary moving of raw materials and finished products, but that it is enormous a glance at some of the leading features of the modern transportation business will disclose.

The case of Great Britain affords a concrete illustration of the methods and magnitude of this wastefulness. Here we have a nation with a population of nearly forty millions crowded into a territory incapable of supporting more than half that number with the products of its own soil. Every year this country imports from other lands enormous quantities of food stuffs. In 1895 it was obliged to draw on foreign lands for 179,927,450 cwt of cereals and flour, 3,758,161 cwt of potatoes, 5,431,338 cwt of rice, 5,352,930 cwt of bacon and ham, 2,458,860 cwt of fish, 31,157,275 cwt of raw and refined sugar, 2,825,682 cwt of butter, 940,168 cwt of margarine, 2,133,809 cwt of cheese, 2,410,532 cwt of beef, 856,255 cwt of preserved meats, 2,610,375 cwt of fresh mutton, 1,065,470 sheep and lambs, 415,565 head of cattle, 12,722,292 great hundreds of eggs, 8,214,345 proof gallons of spirits for consumption and 14,635,568 gallons of wine.

An examination of this list reveals that it consists of articles all of which might have been produced with facility and in profusion in such a country as the United States, and when we inquire more closely we find that it was from this country that Great Britain derived by far the largest proportion of the above food supplies. Pursuing our investigations a step further, we find that Great Britain gave in exchange for these products, or at least that proportion of them derived from the United States, manufactured articles,

none of which was peculiar to Great Britain and all of which we are as well able to produce as the British. The list of our imports from the United Kingdom embraces manufactures of iron and steel, of copper and other metals; textile fabrics of wool, cotton and flax, and other miscellaneous articles wholly or partly manufactured. There is no doubt that the list comprises many articles which Americans could not under existing conditions manufacture as cheaply as the British, but it would be difficult to name any which at some future time we may not be able to produce on an infinitely greater scale and thus be able to sell at a much lower price than those who now enjoy the trade.

If the correctness of these assumptions is admitted, and they doubtless will be, for it would be difficult to successfully dispute them, the only inference that can be drawn from them is that the maintenance on English soil of manufactories employed in fashioning articles for the American market involves an enormous waste of energy, and therefore violates the fundamental concept of economics that production should be carried on, so far as practicable, by the least possible expenditure of human brain and muscle.

In the less complex industrial operations men are careful to avoid the blunder which free trade theorists extol when they lay undue stress on the value of external trade. No competent mining engineer, for instance, would construct his mill for crushing ores at such a distance from the mine from whence they are taken, and from the sources of supply of timber and water, that he would be compelled to haul the two former and conduct the latter at great expense to the scene of his operations. All of his ingenuity would be directed to bringing raw material, fuel and water as close together as possible, and any violation of the obvious economic demand that the cost of operation be reduced as near to a minimum as possible, unless the mine were exceptionally rich, would result in disaster, and, under any circumstance, in as much loss as there was waste.

The operations of the whole world are on a vast scale and exceedingly complex, but they present all the essential features of our illustration. There is no economic reason that can be advanced in favor of transporting raw cotton three thousand miles or more to be manufactured into fabrics, when the same fabrics could be manufactured near the fields in which the cotton is produced.

At one time it was assumed that nature had particularly fitted Manchester, in England, to be the seat of the cotton manufacturing industry, but no one holds to that view at present, least of all Cobdenites, who have been endeavoring to persuade American protectionists to throw down their tariff barriers by extolling the efficiency of the operatives of this country, the implication of their argument being that American labor need not fear British competition because of its superior character.

There being no ground for the assumption that the British have superior natural or acquired capabilities as spinners or weavers of cotton fabrics, it is impossible to dispute the fact that all of the energy expended in transporting the vast quantities of food to feed the British cotton operatives, and that similarly employed in the carriage of the raw material to Great Britain, and in the reshipping of the finished products to this country for distribution, is absolutely wasted.

If this immense waste were abated, and that involved in the shipping of coal to countries which have abundant undeveloped supplies and to depots where great quantities of fuel are maintained to be consumed by ships in unnecessarily hauling commodities to and fro, there would be a tremendous diminution of the trade known as external.

Few people appear to be cognizant of the remarkable part played by the transportation of coal in swelling the world's carrying trade. In 1887 the exports of British coal reached 44,200,000 tons, constituting 84.7 per cent of the quantitative volume of the export business of Great Britain during the year named. The writer to whom we are indebted for these

figures remarks "that coal enters into practically the whole of our (British) exports, and probably forms the cargo of over 50 per cent of the tonnage cleared from the United Kingdom."

It would be impossible to determine what proportion of this vast traffic represents wasted energy, but that it is large may be easily determined by consulting the detailed accounts of British exports, which show that great quantities are shipped to countries known to have undeveloped coal measures and to other countries where the product of the United Kingdom for one reason or another can be sold in competition with the product of the lands to which they are shipped. The quantities shipped to depots for the use of steamships in the far ocean trade also frequently represent a great economic waste, being transported thousands of miles when the coal might be obtained close at hand.

In considering this phase of the question the fact must be kept in mind that the world's supplies of coal are not inexhaustible and that future generations may be greatly embarrassed by the reckless depletion of coal measures by the people of to-day. There are many writers who deplore the wanton destruction of forests in new countries who might perform an infinitely greater service to mankind by pointing out the unnecessary waste of coal. The evils resulting from the denudation of the earth may be measurably remedied by skillful aforestization, but when the coal measures are once exhausted nothing can replace them.

This being the case, sound economy demands that the waste of fuel incurred in the unnecessary transportation of raw materials and finished products shall cease and that the supplies of coal in the various countries of the world be conserved, so far as possible, for purposes of production and warmth.

The Cobdenite may swell with pride over the expanding figures of British external trade, but the future generations, when they come to consider the fact that the showing was

made at the expense of posterity, will hardly be inclined to applaud the sagacity of those who viewed with equanimity the rapid depletion of the coal measures of the United Kingdom.

Those responsible for the waste will have no excuse to offer for their blindness. English writers have pointed out what must result and have sounded warnings. One of them, in a book which stirred the country, has said: "Every ton of coal extracted from our coal fields implies a permanent loss of wealth to that amount. The coal doesn't grow again. \* \* \* When you send it away to the foreigner to feed his factories, which destroy or injure your factories, and take in return from him food stuffs and manufactures \* \* \* you are letting your land deteriorate; your people are forgetting in the gloom of the coal mines how to till the soil and feed themselves, and are not thereby doing much to advance their health and happiness."\*

The writer quoted seems to be chiefly concerned with the effects upon his own country of unduly stimulating an export trade the present profits of which cannot be measured against the future disasters which may result to Great Britain from absolute or relative scarcity of fuel. He sees clearly that so far as the United Kingdom is concerned the coal export trade affords a striking analogy to the improvident act of a mechanic who sells his tools and squanders the proceeds, and by so doing deprives himself of the opportunity to earn a future living. Viewed from this standpoint, external trade in coal presents few features for British complacency, but when we survey the matter in its broader aspects and consider the effects of the wasteful consumption of fuel in unnecessarily transporting commodities to and fro the fatuity of those who see only the present profit of the carrying trade seems appalling.

The practical man who lives in the present, whose every

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\*Williams, Trade in Germany.

act expresses the idea "after me the deluge," may be pardoned for extolling the beauties of external traffic and internal transportation, dwelling only upon their magnitude, but the economist who fails to take into consideration the waste of energy and wealth involved by pursuing a system which separates field and workshop commits a crime, or at least stamps himself as incapable in perceiving and pointing out in what true economy exists.

When the extent and consequences of the waste we have described are realized the mind reverts to the proper remedy, and that is to permit the natural growth of populations in those regions of the earth plentifully endowed with resources. This can only be accomplished by overcoming the artificial advantage which capital and acquired skill have given nations with established manufacturing industries. The Cobdenistic sophistry that the world, like a checkerboard, is divided into black and white squares, the nations capable of making finished articles representing the white and those fitted to be producers of raw materials representing the black squares, must be dismissed, and the fact that no such sharp division exists must be stared in the face.

When Britons awake to a thorough realization of the fact that the whole world must in the future be a workshop, and that some day men will have the wisdom to avoid all unnecessary waste of energy, they will understand the force of the protectionist contention that only that external trade which represents the exchange of non-competing products is beneficial to mankind.

When the world settles down to trading of this rational character it will be found that nations that have resorted to the protective policy have made no mistake. Then the sacrifices made by protectionists with the view of rendering themselves independent, so far as practicable, will be rewarded by the extension of that character of trade so much extolled by Cobdenites, although it will have eliminated from it the greater part of the wastefulness described above.



It must be obvious that when the period arrives in which workshop, field and mine will be brought into close relation throughout the world generally the countries producing raw materials and food supplies in abundance will be better situated than those deficient in either or both particulars. The United States, for example, must possess a great advantage over England in a competition for the steel and iron trade of those countries which do not produce iron ores or attempt to convert them into finished products.

Great Britain is now compelled to import iron ores from Spain and is largely dependent on foreign countries for food supplies, while the United States has within its borders illimitable supplies of iron ores, carrying a higher percentage of metal and capable of being converted into pigs and finished products more cheaply than those of England, and at the same time raises the food for the sustenance of her iron workers at the very doors of her factories.

These differing conditions suggest the inevitable outcome of a competitive contest, pointing, as they do, to the invasion of markets now held by Great Britain by the iron and steel products of this country.

Fifty years ago anyone venturing to assume such a possibility would have been deemed mad by the adherents of the Manchester school, and some of the cult, holding to the belief that it is impossible for a great industry to be developed in a protective country, still survive and obstinately refuse to accept the plainest evidence. Pages might be filled with quotations from recent writings of Cobdenites in which the assertion is made with more or less positiveness that "protection does not protect," and that the industries called into existence through such a policy must necessarily be ephemeral in character because of their artificiality. Men who argue thus absolutely disregard the fact that the manufacture of iron and steel in the United States has attained greater proportions than in any other nation and that the expansion of the industry has resulted in a lowering of prices

which has not only benefited the consuming population of this country, but that of the whole world as well.

Those who have satisfied themselves by the *a priori* method that protection cannot accomplish the results above outlined are inclined to cling tenaciously to the view formulated nearly half a century ago that protective countries would always find it impossible to compete in outside markets with a country which freely opens its ports to the commodities of other nations. But the logic of facts is rapidly compelling them to abandon their position.

It is impossible to seriously argue that a thing cannot be done when the whole world is daily witnessing the performance of the alleged impossibility. No matter how plausible their theories may seem on paper, Cobdenites, in the face of the constantly expanding foreign trade of the United States, will be obliged to desist from the ridiculous assertion that protection renders external trade impossible. When it can be shown that the exports of competitive articles from this country are increasing much more rapidly than similar exports of Great Britain it is idle to contend that protection has the effect attributed to it by writers of the Manchester school.

Cobdenite writers frequently make the blunder of assuming that the expansion of British industry has never been rivaled. They are misled by keeping their eyes fixed on the statistics of other days. If they would turn their attention to more recent figures of production in this country and Germany they would soon discover that English industrial expansion has been more than matched by that of the Americans and Germans.

Elsewhere due attention will be devoted to this interesting phase of the subject; here it is only alluded to as bearing on the progress made in external trade by protective countries. Our illustrations for the purpose will be chiefly drawn from the United States, although the showing made by Germany is in some particulars more striking than that of

this country, because Americans have been compelled to meet the wants of a population increasing with phenomenal rapidity owing to natural accretions and an extraordinary immigration, and have thus to a degree been prevented from accumulating surpluses for export.

Turning to a carefully prepared table compiled from official data furnished by the United States Statistical Bureau, we find that the exports of manufactured articles from this to foreign countries have been steadily increasing since 1870. In terms of percentage the principal of these increases are stated as follows: Agricultural implements, 391 per cent; builders' hardware, 258; saws and tools, 698; electrical supplies, 579; general machinery, 934; jewelry, 1,000; paints and varnish, 776; cycles and parts (increase in two years since the business of exporting them began), 269; locomotives, 843; paper and manufactures of, 547; boots and shoes of leather, 547; musical instruments, 379; clocks and watches, 3,718, and manufactures of cotton, 482 per cent. Or the statement may be made in this way, that we exported \$9,410,088 worth of the articles mentioned in 1870 and to the value of \$78,571,930 in 1897.\* Our export of manufactured articles in the fiscal year 1896-97 aggregated \$276,357,861. This amount was 26.78 per cent of the total exports. In 1870 the proportion of manufactured to all other classes of exports was only 15 per cent of a total export of \$455,208,341 of all sorts of domestic productions, manufactured articles forming only \$68,279,764 of the whole amount.

It is hardly necessary to enter further into details. Those already furnished clearly indicate the phenomenal progress made and show unmistakably that there is no obstacle to the extension of foreign trade which may not easily be overcome by a protective country with the resources of the United States.

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\*"Foreign Trade," New York, January, 1898.

If what has already been accomplished in that direction prompts as noted a free trader as the Rt. Hon. James Bryce, M. P., to declare in a speech to his constituents, after pointing out that "steel rails, electrical plants and bicycles were all produced in the United States enormously cheaper than in England," that the latter country had good reason to fear American competition,\* what will happen when American manufacturing industries reach that stage of development in which the saturation of the home market with surplus products compels manufacturers to seek an outlet for them in foreign lands?

The question has in part been answered by free traders who have studied the situation from the practical point of view, ignoring theory entirely. J. Stephen Jeans, writing on the subject of "Supremacy in the Iron Market," declares unequivocally that protection is an advantage rather than an obstacle to the expansion of external trade. He says: "The economic policy of the United States—and which is often supposed to cramp and fetter invention—did not hinder a band of brilliant engineers and metallurgists from exerting themselves to improve upon British methods and appliances until they placed American practice far ahead of anything in Europe."† Having thus cleared the ground by showing that Americans were not hampered by protection in their efforts to create a great iron and steel industry, he proceeds to make clear that protection continues to operate advantageously by relieving the country of its surplus production. This is his contention:

"Another essential difference in the commercial arrangements of continental industries as compared with British is founded on the experience on the continent of the system of protection. The customs duties levied on the imports into Germany, for example, protect the German manufacturer

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\*Bryce, Speech at Wolmhampton, January 10, 1898.

†Jeans, *Engineering Magazine*, November, 1897.

from competition in his own market, so that he can always depend upon securing within the limits thereby prescribed a satisfactory price from his home customers.

“This result, as is proved by the recent experience of the United States, would not necessarily follow without a certain amount of organization, but the Germans are adepts in the art of accommodating themselves to circumstances, and they consequently have a whole legion of syndicates designed to regulate production and price in the different branches of trade and industry. The evil of overproduction is thereby kept in check and prices are well under control. The home business, in short, is made so profitable that manufacturers can afford, if necessary, to lose on export orders, which they often do for the double purpose of building up trade and keeping their manufacturing establishments and their workmen fully employed.

“There is method in this arrangement. With production on a large scale, standing charges are kept down and the cost of manufacture is lessened, while the workmen, having full and regular wages, are not likely to be so difficult to handle as they would be if—as often happens in England—they were employed only to the extent of one-half or two-thirds of the full time.

“Of course, in so far as Germany, or any other country, sells in neutral markets at less than cost, it is not fair competition. It could be effectively met only by the adoption elsewhere of a similar economic system, which, however, cannot be looked for in England, wedded as she is to free trade, whatever consequences that system may involve.”\*

In these expressions of the secretary of the British Iron and Steel Association will be found several texts for discussion elsewhere, but here we are merely concerned with his admission that instead of repressing external trade, as has been urged by the Cobdenites, when the conditions

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\*Jeans, *Engineering Magazine*, December, 1897.

become ripe for such a result protection actually encourages exports to foreign countries. Mr. Jeans' illustration, quoted above, of course applies equally to the United States, or, rather, will when the manufactures of this country are developed to such an extent that the home demand can be supplied with ease and a surplus produced for export.

Although these views of Mr. Jeans were expressed several months anterior to the writing of this paragraph, no serious attempt has been made to combat them. There is frequent denunciation of trusts and syndicates, and the grievous injustice they do to consumers by resorting to the practices above described is protested against, but the fact is not disputed that protection stimulates exports.

It is not a question here whether this stimulus is at the expense of the consumer or whether the workings of the system are, on the whole, injurious to the country; Mr. Jeans' testimony is drawn upon merely to emphasize the contention that protection does not hamper external trade, and incidentally to refute the assumption of the Cobdenites, voiced by Mr. Bryce in the speech quoted from, that free trade England would have more reason to fear the competition of the United States and other protective countries if they would open their markets to the unrestricted entrance of foreign goods.

Experience demonstrates that this assumption of Mr. Bryce is absolutely erroneous, and proves the soundness of Mr. Jeans' views that the country which holds its home market well in hand, all the other conditions being equal, is in better condition to compete in the markets of the world than the country which permits itself to be made a dumping ground for the surplus productions of other peoples.

Passing from the discussion of this phase of the question to a comparison of the figures showing the development of the external trade of a typical protectionist country and those of the leading free trade nation, we find that the expansion of the export and import trade of the United

States, all things considered, has been more remarkable than that of free trade Great Britain. Referring again to the statistics of Mr. Mulhall, we find that our imports amounted to only £75,000,000 in 1860 and that thirty-six years later, in 1896, they were £161,000,000. Our exports in 1860 were valued at £84,000,000 and in 1896 they aggregated £182,000,000. The total external trade for the former year was £159,000,000 and in the latter year £343,000,000.

Had Mr. Mulhall taken the measure of our progress a year later he would have been obliged to record a total export and import trade amounting to £368,000,000, of which £220,000,000 in round numbers consisted of exports.

Our authority's tables are not so arranged as to permit an exact paralleling of these figures with those showing the expansion of British trade, but the data is close enough to show that the progress of the United States in this particular is beyond all comparison greater than that of the United Kingdom. Taking 1850 as our starting point, we find that Great Britain in that year exported to the value of £70,000,000, and that her imports amounted to £99,000,000. Thirty years later her exports had increased to £286,000,000 and imports to £411,000,000. This represented a total external trade in 1850 of £169,000,000, and of £697,000,000 in 1880.

Had this rate of growth continued the contention of the Cobdenites would have been much stronger than it is, but when we pursue the subject further we discover that exports which had reached £286,000,000 in 1880, remained stationary, so far as value is concerned, for a period of fifteen years, the amount being the same in 1895. During the same years the value of imports rose from £411,000,000 to £417,000,000.

Still adhering to Mulhall's figures, we find that American exports, which had reached £171,000,000 in 1880, increased to £182,000,000 in 1896, and that imports rose from

£140,000,000 in the first named year to £161,000,000 in the latter year.

Here again we may remark that if the English statistician had made his comparison one year later, after the United States had recovered from a trade depression largely due to interference with the operations of the protective tariff, the evidence favoring the contention that protection does not hinder foreign trade would have been still stronger, for the records of the fiscal year 1896-97 show that the export trade of the United States amounted to nearly £220,000,000 an increase of £49,000,000 during the fifteen years in which the value of British exports was nearly stationary.

There are other points which need to be emphasized to bring into relief the fact that protective America's external trade has developed as rapidly as that of Great Britain in the past and is sure to surpass the record of that country in this regard in the future. The first of these is that the great gains of the British were made during the years when they enjoyed a practical monopoly of outside markets because of their preparedness. It was a comparatively easy matter for the manufacturers of Great Britain to expand their operations and find a market for their surplus products when they were almost without competitors. But when under the stimulus of protective tariffs great industries were created in Germany and the United States, which, after fully supplying the home demand of those countries, permitted their surplus products to overflow into outside markets, the situation at once changed, and Great Britain, no longer able to maintain her supremacy, lost ground both relatively and absolutely, a result that might have been expected, for it is an axiom in economics that industrial nations must advance; a stationary stage is always the precursor of retrogression.

There is another phase of the question of external trade which may be touched upon here, but will be more fully discussed in the chapter devoted to the development of internal trades. The excessive imports of Great Britain and their



composition is referred to. It has already been shown in another connection that the British are largely dependent upon other peoples for their supplies of raw materials and foodstuffs. Obviously in instituting a comparison between the external trades of the United Kingdom and another country not in a state of dependence it is absurd to extol as an advantage a positive drawback. This, however, is constantly done by the Cobdenites.

As we saw in a preceding chapter, Great Britain draws upon foreigners for food and raw products to such an extent that her imports exceed her exports over \$600,000,000 annually. If her situation was changed; if, like the United States, she were capable of producing all the raw cotton consumed in her factories, and could raise enough food to supply the millions who convert the raw materials into finished fabrics, the tables of external trade would tell a different story.

Eliminate from the table of English imports the grain and flour, the raw cotton, dead meat, butter and margarine, wood and timber, animals, oils, seeds, fruits, leather, wine, cheese, copper and iron ore, lead, eggs and tobacco—all of which products we produce in excess of our needs—and it shrinks considerably; to such an extent indeed that the force of the argument based upon it, that external trade is beneficial, is seriously impaired, for the elision irresistibly suggests the dependence of Great Britain upon other countries—a source of weakness rather than of strength.

It also brings into plain relief a fact we have endeavored to make clear: that the divorcing of field and workshop was an economic error which has caused an enormous waste of energy expended in unnecessary transportation. Cobdenism is responsible for the world's persistence in this economic mistake for several years after experience had demonstrated the fallacy of the assumption that one set of people were fitted to be the makers of finished articles while all others were to be hewers of wood and drawers of water for those more highly favored by Providence.

## CHAPTER VIII.

### PROTECTION PROMOTES ECONOMY.

#### WASTE ELIMINATED BY BRINGING FARM AND FACTORY TOGETHER.

Evil results from improvident waste of energy—Limited character of the world's coal supplies—Energy conserved by bringing manufacturer and consumer close together—Effects of creation of American manufacturing industry—Elimination of waste a pronounced feature—Drawbacks of dependence on foreigners for supplies of manufactured articles—The penalty paid by the American people—Extortionate prices exacted by English rail manufacturers—Prices doubled in years of active demand—Hundreds of millions lost by Americans—No stability in prices of rails until American production became a factor—The tendency of protection to disperse manufactures—It tends to the promotion of new seats of industry—Inestimable benefits conferred upon agricultural classes by proximity of manufactories—The remarkable results achieved in the United States by bringing farm and factory together.

In the chapter on external trade stress was laid upon the waste of energy consequent upon the unnecessary moving to and fro of raw products and finished articles. An attempt was made to picture the ill results to future generations which must flow from the unnecessary consumption of the world's supply of coal by the transportation of raw materials from the place of their origin to remote points, there to be fashioned into finished articles and thence shipped to other countries and peoples capable of producing similar articles for themselves, and even back to the peoples who had originally produced the raw materials.

The assumption that it is an economic error to unneces-

sarily divert from purposes of production a fuel which can never be replaced cannot be successfully disputed. Unless it is contended that the science of political economy should only take cognizance of present conditions and results and leave the future to take care of itself its professors must deprecate waste. The most extreme Cobdenite, while his teachings may tend to create the impression that the generations of today need have no care for those who come after them, will not venture to directly express the opinion that such disregard is either defensible or advisable. Indeed, the exponents of the idea of *laissez faire*, when considering the subject abstractly, invariably assume that the tendency of a free interchange in commodities must result in permanently advancing the material welfare of mankind.

It is manifestly the duty of economists to point out the consequences of waste. The faithful performance of this duty requires that emphasis should be laid on the fact that the teachings of the Cobdenites if followed to their logical conclusion will materially abridge the period during which life may be maintained on the planet we inhabit.

It was recently pointed out by Lord Kelvin, *apropos* of the earth's store of fuel, that "the danger ahead is not that the coal will give out and leave the world to freeze, but that the oxygen which is destroyed along with the consumption of fuel will all be used up and leave that helpless being, man, to a fate no kinder than asphyxiation. Lord Kelvin emphasized, therefore, that the best known system of producing oxygen, that of cultivating in a broad way vegetation, be adopted to avert the great disaster."\*

The suggestion and the proposed remedy are characteristic specimens of the methods of reasoning adopted by the adherents of the Manchester school. Here an evil is pointed out which a little inquiry would have developed is largely aggravated by a false economic system, yet Lord Kelvin

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\*Cassier's Magazine, March 1898.

fails to ask whether it would not be possible to at least postpone the disastrous consequences which he predicts will ensue when the earth's oxygen is destroyed. Instead of investigating methods of abating the waste he tacitly assumes that there are none, and merely suggests that man in the future, by an extraordinary expenditure of energy and other sacrifices, may avert the results of present improvidence sufficiently to escape the doom of asphyxiation.

Although the peril here outlined has not received the attention it deserves, economists rarely bestowing much thought upon it, usually contenting themselves with conjectures as to the remote probable consequences and the possibility of finding substitutes for coal, the desire which impels peoples to resort to protective tariffs, that of securing present gain and an equality with other nations with developed industries, is doing much to postpone the disaster which must overtake the world when its stores of coal are completely exhausted.

Protection, by bringing field and factory together, is rapidly eliminating the waste of unnecessary carriage, and in the not very remote future, when the increasing mobility of capital shall cause it to move more freely and in a somewhat different direction from that which it has taken in the past, the saving of fuel and energy will be greatly increased.

A glance at the condition of manufacturing in the United States will facilitate the study of this phase of the question, illustrating as it does in a most significant manner the truth of the protectionist assumption that true economy consists in bringing producer and consumer as closely together as possible. The facts and figures which will be cited when properly interpreted will show that the tendency of protection is to disperse instead of concentrating manufactures, and they will also reveal that the Cobdenite theory, that it is desirable to concentrate in one place all of the manufacturing industries of the world, was fallacious, and that

had it been accepted as sound it would have militated against real and permanent cheapness.

That permanent and not immediate cheapness should be the aim of statesmen in framing policies is an idea which no adherent of Cobdenism appears capable of grasping. Rogers, in all of his discussions of the question, overlooks the fact that temporary disadvantages may be removed, and characterizes as an economic blunder attempts to create industries by artificial methods. He says, and his views are generally shared by free traders: "It will be clear that if any particular industry is of such a character as to be conveniently carried out by the inhabitants of a particular community or district, if the producer fears no rival in the home market and still more if he dreads no competition in a foreign market, any protection afforded to his industry must be superfluous."\*

When we endeavor to ascertain the meaning of such a statement as this what do we find it to be? Obviously that there can be no good purpose subserved by a people, let us say with abundant resources of iron, attempting to establish a new industry in competition with one already established.

In the inception of manufacturing enterprises the processes are always made costly by lack of experience. The beginners may borrow largely from the methods of the countries in which the industry is already planted, but familiarity with processes is necessary to develop that high degree of skill which ultimately results in cheapness.

Clearly, then, the circumstances could not naturally arise which would make it convenient—using the word in the sense employed by Rogers—for a new country to start an industry in opposition to those already established in older countries. It would always be inconvenient for one class of the community to pay more for a manufactured article

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\*Rogers, Article "Free Trade," Ency. Brit.

to their own countrymen than they would have to pay for a similar article if brought from abroad. But no one conversant with the effects of the creation of manufacturing industries in new countries will now contend that sacrifices of convenience made during the infancy of an industry are not abundantly rewarded by after results.

Rogers asserts that if there is no sacrifice of convenience protection afforded to an industry must be superfluous. This implies that he regarded the industrial condition of the world at the time he wrote as fixed. He evidently believed that the acquired capabilities of his own countrymen were natural endowments, and that any effort on the part of other peoples to reach the same degree of skill would prove futile. We thus interpret him, because we can hardly suspect him of sharing the views of McCulloch and Lord Brougham concerning the omnipotence of capital and the advantages derived from a good start.

Brougham and McCulloch were frank and admitted that the object of the policy they advocated was to increase the wealth of Great Britain, but in this place, at least, Rogers endeavors to inculcate the idea that mankind generally would be benefited by remaining dependent upon the British, and that it would be an economic mistake to attempt to create a manufacturing industry in a new country, for, as already shown, it would be impossible to do so without a temporary sacrifice of convenience such as the interposition of the barrier of a protective tariff necessarily involves.

Let us endeavor to discover by consulting the experience of the United States whether mankind has been benefited or injured by Americans rejecting the advice of the Manchester school and deliberately electing to submit to the inconvenience of temporarily paying a higher price for articles manufactured at home than they would have been called upon to pay for similar articles if imported from countries in which manufactures were already established and in a more or less flourishing condition.

In making this examination facts will be discovered which bear out the assumption that protection is an enormous conservator of energy and that it has a constant tendency to reduce fuel waste to a minimum by bringing the producer and consumer closely together. It will also be found that the rejection of the once plausible theories of Cobden by the United States has, by expanding the production of articles of necessity, broken a practical monopoly which militated against the world's progress.

The history of the manufacture best adapted to illustrate the benefits of the protective policy is that of iron and steel. The reasons for its selection for illustrative purposes will be manifest from the context. The early efforts made to establish the industry in this country show that those who engaged in it were compelled to carry on a constant struggle against the disadvantages growing out of inexperience and small means, pitted as they were against large capital and the high degree of acquired abilities of foreigners.

In 1840 the production of hardware in England was already a leading industry. The skill of British artisans was not matched by that of any other people. Superiority was acknowledged on every hand, and in this country the most amazing confessions of inferiority were made by the class which later accepted as sound all the doctrines promulgated by the Manchester school.

It was assumed that we could not cultivate the ability to produce a good quality of steel, and that we should always remain dependent upon the British for supplies of that article. This pessimistic mental attitude occasionally gave way to a better feeling promoted by adherents of protection, but the progress achieved under the stimulus of the "American idea" was never enduring in the period preceding the Civil War owing to the opposition of the slave-holding class, who realized that their "institution" could not survive in

the face of the development of a great free manufacturing industry in this country.

Professor Rogers noted this in his contribution to the *Encyclopedia Britannica*, in which he laid it down as a general proposition "that most slave-holding countries have been indifferent to protective regulations and even unfriendly to them. This fact," he adds, "is sufficiently illustrated by the contrast of opinion in the Northern and Southern States of the American Union before the war of secession."

It was owing to this difference of opinion, to this acceptance of the view that a present inconvenience, fancied or real, was to be avoided, that the American iron industry sible to avoid the conclusion that no matter how abundant the resources of a country may be there can be no hope of their being developed unless the pioneers are artificially assisted.

In 1846 the product of pig iron in the United States was 756,000 tons. Between that year and 1850 the output, owing to a change in the tariff, decreased to 564,754 tons. During the ten years between 1850 and 1860, a period when our gold mines were pouring forth their treasures, the industry made no advances whatever, the production in the last named year being 607,000 tons, or nearly 150,000 tons less than in the year 1846.

It is necessary to review facts such as these to thoroughly realize the disadvantages under which the creators of an iron industry in this country labored lest it be erroneously assumed that its growth was a natural one. Such sweeping statements as that made by Mulhall that "the production of iron stone in the United States in 1840 was only 600,000 tons, but it rose rapidly with the construction of railways, reaching 13,300,000 tons in 1889"\* are apt to prove misleading, suggesting, as they do, an uninterrupted development.

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\*Mulhall, *Industries and Wealth of Nations*, 1896.



They also tend to obscure the important fact, which can only be gathered by following the progress of the American iron industry year by year, and its effects on prices, that the world is indebted to its creation for the destruction of no real advances prior to the Civil War. The experience of the United States during the period makes it impossible to ignore the practical monopoly enjoyed by the British in this branch of manufacture. This examination can be best prosecuted by noting the changes in the price of iron and steel rails since 1850 and inquiring into the causes producing the violent fluctuations recorded.

In 1850 the railroad system of the United States was in its infancy. Of the more than 180,000 miles of line in existence in 1896 only a few thousand had been constructed prior to the opening of the second half of the nineteenth century. The discovery of gold in California in 1848, however, gave an impetus to railroad building, and lines were projected in all the older States in the Union.

Those having the enterprises in charge were evidently influenced by the feeling of the time and concluded that their interests would be best subserved by going abroad for their supplies of rails and other material. Statesmen evidently shared their views, for, as already noted, no serious effort was made during the period intervening between the gold discoveries and the breaking out of the Civil War to promote the development of iron manufacturing on our soil.

The consequences of this blunder soon made themselves felt, although, singularly enough, they were not recognized by the men responsible for them, who were wont to attribute the resulting financial collapses known as panics to overspeculation rather than to the failure to encourage home industry. Had this course been pursued they would have avoided the mischiefs which flowed from running into debt to the foreigners who dominated the world's money markets and who were never slow to take advantage of the difficulties of their debtors.

The price of iron rails in England in 1851 was £9 11s per ton.\* As soon, however, as the railroad building impulse began to make itself felt in the United States the British iron manufacturer, influenced by the American and a concurrent demand for his product in Great Britain, at once advanced his prices. In 1853, under the stimulus of the demand which the construction of 2,452 miles of road in this country during the previous year had created, the price of rails was advanced in England to £16 2s per ton. Railroad building in the United States fell off during the ensuing two years and the British manufacturer reduced his price to £13 2s a ton.

In 1856 construction went on at an accelerated pace, and the price was advanced to £13 8s. After 1856 there was a period of comparative inactivity in railroad construction in the United States owing to the evil influence of the low tariff, which left American manufacturers at the mercy of their better equipped foreign rivals. It is noteworthy that during this time of declining demand the British prices of rails sympathized. In 1856, when we constructed 3,642 miles of road, rails cost £13 8s; in 1857 the construction was only 2,487 miles and rails were £10 8s; in 1858, 1859 and 1860 the constantly diminishing rate of construction was followed closely by a declining British rail market, the price in the last named year having fallen to £10.

During the opening and first years of our Civil War railroad construction almost came to a standstill in the United States. In 1861 only 686 miles were built and in 1862 834 miles. Ceasing to be good customers to the British, the latter were compelled to reduce the price of their product to £8 17s in 1861 and in 1862 £7 11s.

In 1863, under the stimulus of the war tariff, which

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\*Mulhall, Dictionary of Statistics; quotations are those of British Iron and Steel Institute.

acted protectively, industry began to revive in the United States. New enterprises were projected, among them several railroads requiring the construction of 1,050 miles of line. Immediately the price of British rails was advanced to £11 a ton.

During 1864 and 1865 railroad activity continued in the United States and the British kept advancing their prices, the average being £13 2s in the latter year. In 1866 the manufacture of rails was begun in the United States, and although railroad construction was on a more extensive scale than in the previous year the British manufacturer deemed it advisable to reduce prices a trifle in order to meet the new competition, the rate being £12 15s in that year.

Between 1866 and 1870 the increasing American production exerted an influence on the British price for rails, preventing a further increase, although construction continued on an enlarged scale, the miles built being 2,979 in 1867, 4,615 in 1868, and 6,078 in 1869. But the inability of our manufacturers to keep pace with the demand created by a construction of 7,379 miles in 1870 sent up the British price in that year from £12 2s to £13, from which point it continued to rise until £15 14s was reached in 1872.

Before proceeding further it may be well to emphasize the point that so long as the British manufacturer maintained practical control of the market for iron rails he acted strictly on the Cobdenistic theory of selling his wares as dearly as possible. Between 1862 and 1872 the British manufacturer, under the influence chiefly of the American demand for rails, was enabled to more than double his price. In the first named year rails sold at an average of £7 11s a ton in England, and in 1872 at £15 14s.

During this interval many improvements were undoubtedly made in the processes of manufacturing, but the consumer derived no benefit from them. On the contrary, owing to the partial acceptance of the Cobden theory that mankind

would profit by making Great Britain the workshop of the world, the consumers of England and the rest of the universe were compelled to pay more than double for their supplies of iron than they would have been called upon to pay had not the aspirations of the early American protectionists been checked. Had the iron manufacturing industry in the United States not been paralyzed by the legislation of the slaveholding class and their sympathizers, who believed that because British manufacturers were at that time able to produce more cheaply than any other people they would always be able to do so, Cobdenism would have received its *coup de grace* before this time.

But the illusion regarding cheapness was rapidly dissipated after 1872. About that time it was observed that as the output of our rolling mills increased the price of iron and steel rails began to decrease. In 1872, when our imports of rails reached 531,537 tons, the English price was £15 14s a ton; with imports amounting to only 357,631 tons the rate dropped to £13 6s. In 1874, owing to a great decline in railroad building, imports dwindled to 148,920 tons and the price was £11. When we only took 42,082 tons, as in 1875, the British cheerfully accepted £8 13s a ton; and in 1878, when we had practically ceased to import, the price of rails in England was £6 17s.

It would be absurd to attempt to explain these advances and recessions of prices by assuming that improvements of processes were responsible for them. Such a hypothesis is untenable and is absolutely unsupported by evidence. Nor is it possible to account for them by showing the influence of appreciating or depreciating money on prices. The quotations used are all in gold terms, being derived from the tables of the British Iron and Steel Association, so there are no aberrations of particular currencies to be allowed for.

The assumption sometimes ventured that the increase of the general level of prices between 1850 and 1873 may

account for the changes cannot be considered for a moment, as the fluctuations noted thus far were entirely within the period of rising prices. To make such a hypothesis tenable rail prices should have shown something like a steady advance toward the maximum and a general correspondence to other prices, whereas the relation of rail to other prices during the years under review was abnormal, indicating unmistakably the influence of excessive demand and insufficient supply.

The experience of this country after 1878 still more strikingly enforces the contention that the creation of a great iron and steel industry in the United States brought about the industrial emancipation of the world, and that the American consumer has since been well repaid for his assumed sacrifices during the period while the domestic manufacture was being created and strengthened. We say assumed, for it has yet to be shown that any class of Americans has been called upon to make a sacrifice to achieve the results we are describing.

In 1878 the United States, after suffering for several years from the effects of one of the periodic trade depressions, which were the direct outcome of the vicious habit of dependence upon foreigners, began to recover, and under the influence of renewed prosperity much new railroad work was projected and executed. In 1877 the number of miles constructed was 2,679; in 1878 it increased to 4,817; in 1879 to 6,712; in 1880 to 9,847, and in 1881 to 11,569. Although our production of rails steadily increased during the years mentioned, rising from 781,818 tons in 1878 to 1,643,167 tons in 1881, the quantity turned out was insufficient to meet the demand. As a consequence our imports, which had fallen to 11 tons in 1878, were rapidly enlarged.

In 1879 we again began importing, the quantity being small at first—only 2,611 tons; but our advent in the English market was the signal for an advance from £6 17s to £8 12s a

ton. In 1880 we called upon the British for 152,791 tons, and the price was increased to £10 5s. In 1881 our demand was still larger, 302,304 tons being imported, but the influence of American production had now begun to make itself felt and the British manufacturer had to be content in the face of an American output of 1,304,191 tons to accept the prices ruling in 1880. In 1882 our independence was practically achieved and our market was no longer the football for British speculators, for that is what the English manufacturers of rails had become during the interval in which they were enabled to raise prices whenever we wished to increase our railroad facilities.

It is not necessary to follow the fluctuations of the iron and steel rail market after the year 1882. Enough details have been furnished to show conclusively that when the British controlled the situation they made those dependent upon them for supplies of railway material pay all the traffic would bear. The evidence is overwhelming that when Americans were not in the market for rails prices were low and that as soon as their necessities compelled them to buy abroad prices were immediately raised.

This condition of affairs continued, as we have seen, until the American rolling mills were capable of meeting the American home demand. After that date fluctuations in the price of British rails were still noticeable, but they were due to the exploitation of Argentina and other countries. During the period of railroad building in the South American republic referred to prices of rails were advanced in the English market over £2 a ton, while in the United States the price had a steady downward tendency.

Now that we have arrived at that stage in the manufacture of steel rails which indicates a reversal of the conditions described when we were compelled to import from Great Britain it is proper to inquire what would have been the result to the United States and the rest of the world if the protectionist policy had not prevailed. The informa-

tion we require is freely furnished by foreigners. We are told by the secretary of the British Iron and Steel Association that the American iron and steel works are the largest and best equipped in the world, and that they constitute a menace to the industries of the whole of Europe. Why they occupy this position he makes clear by pointing out that we have unlimited quantities of ores and coal and that we are quick to make use of labor-saving appliances, while the old world adheres to practices which ought to be obsolete, but which manufacturers are unable to get rid of owing to the conservatism of the trades unions. But he lays the most stress on the development of new bodies of ore. Writing in December, 1897, he said:

“Perhaps, however, the more immediate cause of the industrial movement (in the United States) which has now alarmed Europe so seriously is the recent development of the new ore deposits in the Lake Superior region, which has placed at the disposal of certain manufacturers raw materials of exceptional richness at a price that would not have been deemed possible only five years ago. Although I shall return to this subject, I may here remark that according to the American census of 1880 the average spot value of all the ores mined in the United States in that year was 12 shillings a ton, and the average of Lake Superior ores was 13s 7½d per ton. A dollar and a half more, or say 6 shillings per ton, would be required to place these materials alongside furnaces in the Pittsburg district, so that the average cost of a ton of Lake Superior ore at the furnace in Pittsburg would not be less than 19 shillings per ton, and the average cost of the single item of ores, per ton of iron produced, would be almost as much as the total cost of producing a ton of Bessemer pig iron in the same district, according to the most recent figures. This cost is now considerably under the average of the European, including the British, iron making centers, producing the same description of iron.”\*

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\*Jeans, Engineering Magazine, November, 1897, Article, “Supremacy in Iron Market.”

Having this explanation before us, we need not be surprised at the additional statement of the writer that "Great Britain is now importing American pig iron, American steel rails, American wire, American agricultural machinery, American machine tools and many other American products."\* Nor will anyone capable of reasoning from cause to effect undertake to deny that the changed condition is wholly due to the fact that Americans were willing to accept the consequence of a temporary enhancement of the prices of the products here discussed in order to secure the benefits of future cheapness.

It will not be charged that this result was unexpected by American protectionists, because their writings are filled with predictions that their policy would have such an outcome. Adherents of the Manchester school frequently indulge in criticism of the objects of protection and protectionists, but when their comments are compared with what protectionists have really said it will be found that they are attacking ideas falsely attributed by them to the advocates of a protective tariff, and not utterances of those who may justly be regarded as true exponents of the system. These latter have always maintained that the multiplication of industries throughout the world would redound to the benefit of mankind, and their chief objection to the policy of Cobdenism was that the prevention of the development of the world's resources would create a practical monopoly which would result in permanent dearness.

There is no doubt that this theory is sound. The extraordinary changes effected by the entrance of great protectionist nations into the world's markets clearly establish this. The relatively slow development of the iron industry which marked the period preceding the rejection of Cob-

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\*Jeans, Engineering Magazine, November, 1897, Article, "Supremacy in Iron Market."



denism by the people of the United States must have continued for a long time had this country and Germany neglected to make the best of their resources. It has only been since immense iron and steel plants were created in the United States and Germany that the world's consumption of those metals has shown a marked tendency to increase, and the price lists of the two periods—that during which England held the market and that since competition in protective countries became effective—tell why the promises of cheapness made by the free traders would have to come to naught had Great Britain been able to maintain her supremacy in this and other lines of manufacturing industry.

It will assist us to understand what might have happened if American competition had not been promoted by protection if we note that Great Britain now finds it necessary to import from Spain over 5,000,000 tons of iron ore annually to maintain her present rate of pig iron production. There is but one construction that can be fairly placed upon this action of resorting to a foreign country for the supply of a raw material, the abundance of the domestic supply of which in the early decades of the nineteenth century was supposed to assure British supremacy, and that is that the cost of producing ores has become so great in the United Kingdom that many of the mines of that country can no longer be worked as profitably as formerly.

If the depletion of the British supply has been thus rapid, even in the face of the diminished demand for English iron brought about by the creation of great iron manufacturing industries in such protectionist countries as the United States and Germany, what would have been the result had the world continued to depend as largely upon Great Britain for its supplies of manufactures of iron as it did during the decade between 1840 and 1850?

To realize the full import of this inquiry we must turn to the figures showing the relative production of iron in

1840 of the western nations of the world and compare them with those of a more recent date. For convenience, and in order to adhere to free trade authorities as closely as possible, the statistics of Mulhall are still resorted to. His tables show that the total product of pig iron in 1840 was 2,680,000 tons, of which quantity Great Britain produced more than one-half, her output being 1,390,000 tons. In the same year the product of the United States was 290,000 tons, that of Germany 170,000, and the remaining nations are credited with having produced 830,000 tons.

At this time there was no question about the supremacy of the British in this field of manufacture. No people on the globe could produce iron in competition with Great Britain or fashion articles from that product so cheaply as the English. The disparity in the performances of the people of Great Britain and those of other countries was so great that it gave birth to the belief, since proved fallacious, that nature had endowed the British with such resources of coal and iron and with a skill to work them surpassing that of the workmen of other nations. That belief, as we have already shown, was for many years accepted even by peoples whose interests were subsequently advanced by rejecting it, but who, if the teachings of theorists rather than the promptings of common sense had been followed by them, might still be dependent upon Great Britain for their supplies of iron.

What the consequences to the world might have been had Americans and others not proved incredulous may be inferred from a comparison of the figures of production of iron in 1840 and 1893, fifty-four years after the date when British supremacy was universally acknowledged. In 1893 the world's output of iron was reckoned at 26,010,000 tons, or ten-fold the quantity produced in 1840. During the period Great Britain made much progress, but it would be irrational to assume that she would have reached the rate of production she has since attained without the stimulus of the rivalry created

by the protection policy. But for purposes of argument we may admit that her rate of production might have been maintained. If we do we shall have to ask what would have been the result if the United Kingdom had increased the output from her mines to such an extent that she would be able to supply a quantity of iron equal to one-half of the world's demand of today as she did in 1840?

The obvious answer is that the depletion of England's mines at such a rate would have so diminished her stores of ores that they could only have been mined at a constantly increasing cost. If the demand of the rest of the world for British iron amounted to over 13,000,000 tons yearly it could only be met by a sacrifice, which producer and consumer would have to make jointly, the former by bringing his country nearer to the verge of dependence upon foreigners for this absolutely essential raw material and the latter by being compelled to pay a constantly increasing price for such iron as he desired to use.

Nor would these be the only evils. Had Great Britain been permitted to denude herself of her iron ores for the purpose of supplying the rest of the world with manufactures of iron at such a rate as would have been necessary to keep pace with the modern increase of consumption, there would have been an accompanying depletion of her supplies of coal, which would have been encroached upon to smelt the raw material and to provide the power to fashion the same into finished articles. Additional demands would have been made upon her fuel supplies to provide the ships carrying the manufactured articles to different parts of the globe, and there would be added to this improvidence the waste of manual energy implied in transporting such products to countries fully competent to provide themselves with iron and articles manufactured therefrom.

Obviously this process of denudation of the supplies of the raw material iron and of the coal of Great Britain must

have proceeded until her exhaustion was nearly complete if the world had implicitly accepted the teachings of Cobdenism, for every added year of experience must have more thoroughly entrenched the British manufacturer and made the task of rivaling him more and more hopeless. Then when the time arrived that the iron ores of the United Kingdom could no longer be worked the British manufacturer would have resorted to other countries for his supplies of iron and fuel. This would, of course, have accelerated the process of wastefulness, for whereas while Great Britain was well provided with iron ores and coal she merely wasted fuel and energy in shipping finished articles to foreign countries, under the new conditions she would have been compelled to uselessly expend tremendous quantities of fuel and energy in bringing to Great Britain the raw materials necessary to continue her iron and steel manufacturing industry.

It may be argued that sane men would not proceed so irrationally for any great length of time and that true economy would compel the adoption of a remedy long before the disease had become fatal. But there is no ground for such an assumption. That relief might be obtained by abandonment of the system of wastefulness is nowhere suggested in any of the writings of the followers of Cobden. On the contrary, the teachings of the Manchester school all tend to the formation of the opinion that man is in some way benefited by useless work.

When wasteful politicians, in order to provide followers with employment, project unnecessary enterprises a great clamor arises, but no free trader lifts his voice in deprecation of the superfluous expenditure of energy involved in the deportation of raw materials and food stuffs from countries in which they could be worked up and consumed with as much profit as in the lands to which they are carried. It will be admitted, however, that the consequences of the

first named evil are infinitesimal by comparison with the latter.

Instead of pointing out the waste resulting from this course and deploring it economists of the Cobden type admiringly cite the enormous earnings of the carrying trade and indulge in platitudes about the advantages derived from free intercourse between nations. It is as though an economist should applaud as a great achievement the trundling back and forth of the same load of bricks, a task which the Philadelphia millionaire Girard is said to have imposed upon an applicant for charity, a job which the self-respecting pauper refused to perform on the ground that he would be working to no purpose.

It may be safely concluded that if Cobdenism had flourished the blunder of separating field from factory would have continued indefinitely, but the depletion of Great Britain's resources of iron and fuel would not have proceeded at any such rate as that suggested in the foregoing illustration. On the contrary, it may reasonably be assumed that the effect of the system would have been more in the direction of repression of consumption than expansion. The lesson taught by the experience of the United States in railroad building is that while Great Britain retained practical control of the world's iron and steel industry the tendency to meet an increasing demand with rising prices was always present, and that its effect was to greatly restrict consumption. The painfully slow growth of consumption in the United States during the years previous to the expansion of the home iron and steel industry furnishes irrefragible proof that this country, at least, was a great sufferer from the evil effects of long distance transportation of things which might have been produced within our own borders.

When we turn to the records which tell the story of the growth of a general manufacturing industry in the United States we find abundant further confirmation of the doctrine

that bringing producer and consumer closely together results in great saving. There is no disposition to assert that protection entirely eradicates the economic evil of waste of energy and fuel heretofore dwelt upon, but the proof is overwhelming that it mitigates it enormously.

There is primarily to be placed to the credit of protection the saving effected by dispensing with the unnecessary carriage of such raw materials as cotton to the other side of the Atlantic to be fashioned into articles for wear in this country, and of the additional food supplies which would be required by foreign operatives if they were permitted to enjoy the monopoly of providing manufactured articles for the inhabitants of new countries. How great an economy this is can only be determined by reckoning what it would have cost the United States for transportation if its growing population had continued dependent upon Europe for supplies of manufactured articles. As it is, with an external trade which approximates the rational, millions are unnecessarily expended every year and fabulous quantities of coal are uselessly consumed in the unnecessary hauling to and fro of commodities.

While protection does not completely eliminate waste, its tendencies are always in that direction. It has been noted by Mulhall that "more than three-fourths of the world's steam power is employed for traction purposes on railways and in steamboats," and that in the United States "the average energy is 1,940 foot tons daily per inhabitant, which is more than double the European average."\* This undoubtedly embraces an enormous proportion of waste, but the same author, in his analysis of the census of 1890, shows how rapidly the factor of misdirected energy is being diminished.

On this point he says: "The rapid growth of population

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\*Mulhall, *Industries and Wealth of Nations*, 1896.

has caused a shifting of equilibrium in the occupations of the people (of the United States). Thus in 1850 the Prairie States had only one factory operative to seven farming hands, whereas in 1890 the figures stand relatively as five to eleven. The census returns of manufactures in 1850 and 1890 showed thus:

No. of Operatives.	Million dollars.		Per operative, Dollar	
	Wages.	Product.	Wages.	Product.
1850	111,000	30	270	1324
1890	1,407,000	672	478	2247

To this Mulhall adds: "In 1890 the Prairie States produced 34,000,000 tons of coal, chiefly from Illinois and Ohio, and 8,000,000 tons of iron ore, mostly from Michigan," and that the total mining output was valued at \$183,000,000.\*

Although our authority emphasizes the statement that "food and lumber constitute the principal manufactures of the Prairie States," and refers to the fact that "the production of hardware is not quite sufficient for their requirements, and that of textiles so small that they are obtained almost wholly from New England," the fact is not obscured that a great revolution has been effected by the introduction of manufactures into a region a thousand miles or more from the Atlantic seaboard, and of course that much further from what would have been the source of supply for millions of Americans had the Cobden idea of making England the world's workshop prevailed.

In the center of the region embracing the Prairie States are now situated some of the largest and most completely equipped rolling mills in the world, and at their very doors are illimitable supplies of fuel and mines of iron ores surpassing in richness those of any country on the globe. Is it possible to assume that the failure to develop these vast

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\*Mulhall, Progress of United States, North American Review, August, 1897.

industries by the side, or rather in the midst, of the fertile agricultural region comprised in the Prairie States would have inured to the benefit of the American people and the rest of mankind? No one would now venture to answer this question in the affirmative, but not many years ago the farmers of the Prairie States, who are now benefiting by the proximity of great workshops, were told by Cobdenites that their best interests would be subserved by sending their products four thousand miles to feed workmen engaged in fashioning articles which are now made at their doors.

The experience of the Prairie States is by no means unique. The South also affords an illustration of the tendency of protection to obviate the waste of fuel and energy due to unnecessary transportation. A great iron industry has recently been created in that region, the productions of which rival those of other sections of the Union. The iron of Alabama is already finding its way in the form of steel rails and other advanced forms to foreign countries, although the major part of it is consumed in the territory adjacent to the rich deposits of ores and coal.

Contemporaneously with the development of the Southern iron industry there has been an expansion of the business of cotton spinning and weaving in many of the States which were once wedded to the idea that the true interests of the planter of the South required that the raw cotton should be shipped to England, there to be converted into fabrics suitable for consumption in the cotton growing belt. Now that factories are multiplying throughout the region once noted for the poverty of its resources, industry is becoming diversified and the Southern States are actually becoming self-dependent.

These developments, which have been made possible through the adoption of a protective system by the United States, might not have taken place for centuries to come, perhaps they never could have occurred, had Cobdenism



prevailed. An English economist who has given the question of the transference of capital much study and who has pointed out how difficult it is, even within the limits of a nation where the conditions of taxation, mode of living and other things are nearly alike, to move an established industry to a part of the country more favorably situated naturally, expresses the view that infinitely more difficulty attends their transference from one country to another.\* He implies that the natural advantages of foreign countries, even when their exploitation is encouraged by bounties and other artificial means, are not nearly so attractive as the immediate benefits derived from an established position in an already developed country. He points out that while "capital and labor may gradually be exported," and an "industry may pine and dwindle away under adverse conditions, the result being that at the end of a certain period there will be within the country less labor and capital, and possibly also less consuming power per unit of population" than formerly, there is a constant struggle against the inevitable which has a tendency to keep alive unprofitable industries long after the hopelessness of the contest is recognized.

If this is the case, and our experience teaches us that it is, it is only rational to assume that the advantages of accumulated capital and acquired abilities in old countries where industries are well established are so great that it would be impossible for a new country to develop its resources in the face of unrestricted competition. Therefore, true economy, that which considers the future as well as the present, demands that means be adopted by new countries to nullify the artificial advantages enjoyed by older nations so that there may be something like a uniform development of the world's resources, and not a one-sided one which would

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\*Mulhall, *Progress of United States*, *North American Review*, August, Nicholson, *Principles of Political Economy*, Vol. 11, p. 71.

permanently impose upon mankind the present wasteful system which involves the unnecessary carrying to and fro of materials and the speedy destruction of the world's great source of energy and heat.

## CHAPTER IX.

### INTERNAL TRADE.

#### OVERSHADOWING IMPORTANCE OF DOMESTIC PRODUCTION AND EXCHANGE.

Protection promotes the filling of the national industrial reservoir—Effects of the creation of domestic industries—The main object of all exertion is the meeting of domestic needs—Internal trade of prime importance—External trade analogous to the waste that escapes from a reservoir—England's home market twice as great as her foreign trade—Why England's imports are larger than those of the United States—Dependent and independent countries—Free trade policy requires artificial backing—The American home market—Imports of the United States small because we do not need to draw upon foreigners—What would have happened had the colonies taken Adam Smith's advice—Purposes of the British—Mercantile system really the present British commercial system—Effects of colonial dependence—Poverty in the days before the United States had a diversified industry—The struggle for American liberty a struggle for commercial independence—Rapid filling of the industrial reservoir after 1860—Wealth created in the United States more rapidly than elsewhere.

In discussing the singular hallucination of the free trade theorists that the greatest material benefit a people can derive is that which is supposed to flow from an expanding external trade, frequent allusions were made to the value of the home market and to the vast economies effected by bringing field and factory together. In this chapter an effort will be made to show that the internal trade of a country, in the nature of things, will always be its most important trade, and that under any rational system of economics external trade must

be relegated to the second place and become, as it were, merely an incident of national progress.

Although the Cobdenites habitually ignore this truism when dwelling upon the importance of the interdependence of nations and seek to make it appear that only foreign trade is profitable, statisticians, even when they make their home in Great Britain, are betrayed into admitting the fact that what is derisively referred to by free traders as the "home market" is infinitely more important to a people with great resources than the ability to exchange goods with foreigners.

That a contrary opinion should ever have arisen seems to be solely due to false causation. Observing the fact that countries having large quantities of articles to spare for export were prosperous, it has been assumed that the act of exportation caused the prosperity. It is as though one should say that the surplus flowing over the dam of a reservoir was of more consequence than the main body which supplies the power to run countless machines or furnishes the water for the inhabitants of a large city. The overflow may be utilized in some fashion, but obviously the most important feature of a reservoir is the accomplishment of the primary purpose of filling it so that sufficient water will be provided to carry out certain designs. If the dam achieves more than this result it may be reckoned as additional gain, but such gain will necessarily seem insignificant compared with the returns from the proper utilization of the imprisoned water. That this analogy is not a forced one will be seen when we compare the internal with the external trades of several of the leading nations of the world.

According to Mulhall "internal trade is the real trade of a country comprising the total value of agricultural, manufacturing and mining products handled by the people, and the value of imported goods consumed." Accepting this definition, and using Great Britain, a country of comparatively limited resources, as an illustration, we find that

the British home trade vastly exceeds the external trade of the nation. In 1894 the total internal trade of the United Kingdom was reckoned at £1,610,000,000, made up as follows: Agriculture, £230,000,000; manufactures, £876,000,000; mining, £78,000,000; forestry, etc., £9,000,000, and imports, £417,000,000. In the same year the imports and exports aggregated £703,000,000, the proportion of exports being £286,000,000.

Here we can see that even in the case of a country conditioned as Great Britain is the home trade is more than double the foreign trade. When we resort to comparisons we find that although the United Kingdom has subordinated every other industry to those of manufacturing and mining the home consumption of manufactured and mineral products is enormously in excess of the exports of manufactured articles and minerals. Assuming that the exports of Great Britain in 1894 were wholly composed of manufactured articles and minerals, a comparison will show that the domestic takings were more than three times as large as the total exports. Thus we see that even in England the prime object is to supply the home demand, and that the export trade, as in the case of the reservoir illustration, merely represents the overflow.

But if we desire a more convincing illustration of the value of the home market we must direct our attention to a country where the conditions as to natural resources are better than those of Great Britain. Such a country should be one whose area is great enough and its soil sufficiently fertile to produce all the food required by a teeming population, and whose fields, in addition, would be broad enough to produce the fibers and other raw materials to maintain a manufacturing industry; while beneath the earth would have to be vast mineral resources, including abundant stores of fuel for the creation of energy and to provide warmth.

There are several countries which meet this description, and pre-eminent among them is the United States. Its

agricultural and mineral resources appear to be boundless. They are so varied in their character and so extensive that the nation might work out its own destiny without drawing upon the outside world. It produces within its borders nearly everything useful to man. The list of its productions embraces a large proportion of those articles in which Great Britain is deficient. An examination of the tables of British imports shows that they are made up in great part of those things which Americans produce in excess of their needs. Cattle, grain and flour, raw cotton, sheep and lambs, dead meat, butter and margarine, wood and timber, oils, seeds, fruits and hops, currants and raisins, wine, cheese, copper ore, lead, eggs and tobacco are among the leading British imports. In our tables of external trade they appear as articles of export. In addition to these, Great Britain also draws upon foreign countries for wool, sugar, flax, hemp and jute, iron ore and zinc, all of which we can and undoubtedly will produce in sufficiently large quantities in the near future to meet the home demand and perhaps a surplus for export.

In another place, when the question What constitutes an exotic industry? is discussed, it will be shown that none of these articles meet with any impediment to their profitable production in the United States, whereas Great Britain is by climatic and other natural obstacles debarred from providing herself with them in large enough quantities to meet the needs of her population without drawing upon the foreigner. Here this peculiarity is referred to merely to emphasize the fact that there is an essential difference in the productive capabilities of Great Britain and the United States. But it is not of that character which the Cobdenites have erroneously assumed exists, for while it may be true that nature has acted in a one-sided manner with some nations, as in the case of England, which we have seen is deficient in many natural productions, there are other nations where no such deficiency is noticeable, and they must therefore be regarded

as having superior natural advantages which, when joined with acquired capabilities, must ultimately result in commercial and manufacturing superiority.

Consciously or unconsciously, the adherents of the Manchester school have by their teachings obscured this vital fact. A large part of mankind has been induced to believe that it is true economy to transfer to the less favored countries the profits and advantages which the more favored may enjoy if they feel so disposed. Singularly enough, they have succeeded in strengthening this belief by parading British dependency as an advantage. All free traders habitually dwell with pride on the vast proportions of the imports of Great Britain, and many assume that they triumphantly establish the soundness of the theories advanced by the Manchester school. Some there are, however, who are beginning to regard with alarm the ever increasing dependence of the United Kingdom and are no longer disposed to regard it as a commercial advantage.

One of these latter, commenting on the singular hallucination that the less a people have to sell in proportion to what they are compelled to buy the more prosperous they are likely to become, says: "Sir Courtenay Boyle is evidently inclined to draw comfort from the fact that when the imports and the exports are calculated for the different countries, per head of population, the United Kingdom stands far ahead of its rivals in trade. \* \* \* This superiority in the value of exports and imports per head does not signify that we are more prosperous than other countries and is rather a misleading return. The United States and Germany both produce a very large proportion of their own food supply, while Germany has for some years practically supplied the whole of her home demand for manufactured goods and the United States is following in her footsteps in this respect. The United Kingdom produces a very small proportion of its food requirements \* \* \* and has ceased to supply the whole demand for manufactured goods.

The value of the imports for the latter country are, therefore, much greater than the corresponding figures for the two former; and the difference is not a measure of greater commercial prosperity, *but of our greater dependence upon foreign trade.*"\*

It is hardly possible to dissent from this view, and even free traders shrink from doing so when the matter is presented in concrete form. When they are confronted with the possibility of a conflict with foreign powers and recognize the straits in which their country may be placed through insufficiency of food supplies or by being deprived of the necessary raw materials for the successful prosecution of their manufacturing industries, they assent to a policy of extraordinary taxation to avert the consequences of a false economic policy. Their statesmen call expenditures made for this purpose provision for the national defense, but this is juggling with phrases. The money expended to keep open English communication with the outside world so as to avert the possibility of starvation or the interruption of British manufacturing is as unmistakably an artificial help to industries which would otherwise utterly fail as an appropriation made by a protectionist country for the encouragement of beet sugar manufacture, or a tariff levied for protective purposes.

While free traders can thus easily be persuaded to indirectly adopt protective measures for the preservation of their external trade, and justify the enormous expenditures for so-called defensive purposes by pointing to the magnitude of their dealings with foreigners and the profits derived therefrom, they appear utterly incapable of perceiving that a similar policy applied to the promotion of internal trade in the United States has accomplished infinitely greater commercial results without incurring the loss of energy and waste of energy and fuel which an unnecessary external

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\*Kershaw, *Future of British Trade*, Fortnightly, November, 1897.



trade entails. Free traders also shut their eyes to the fact that the creation of a manufacturing industry averts the danger to which a dependent nation is always subject. While it is inconceivable that a country with resources as vast as those of the United States could ever suffer for want of food because of the action of external enemies, it is easy to comprehend that if it had neglected to establish manufactures and had assumed the role of a mere producer of food supplies and raw materials mapped out for it by Cobdenites its people would be as greatly hampered in case of foreign aggression for want of manufactured articles as were those of the Confederate States while the Civil War was in progress.

Let us see whether this assertion can be made good by a resort to the figures showing the growth and extent of the home market of the United States. Still retaining Mulhall for our guide we find that in 1894 the internal trade of the United States amounted to £3,125,000,000—nearly double that of the United Kingdom in the same year. According to the authority we are following it was made up as follows: Agricultural products, £813,000,000; manufactures, £1,952,000,000; products of forestry and fisheries, £130,000,000; mineral products, £94,000,000; imports, £136,000,000.

These figures Mr. Mulhall tells us represent a tenfold increase since 1840, the internal trade of that year aggregating only £318,000,000 sterling. The year 1894 was not a favorable one for comparison, as a widespread depression had prostrated industry throughout the whole country. It is not improbable that the figures of 1900 will show a fifteenfold increase; those of 1892, had they been employed, would have exhibited at least a twelvefold advance over 1840. But Mulhall's data are sufficiently striking, and protectionists will not object to their use for comparative purposes or for analysis.

The most conspicuous fact disclosed by Mulhall's comparison is that the proportion of imports in this enormous

American home trade is comparatively insignificant, representing only one-twenty-third of the whole, whereas the proportion of British imports to the whole trade of the United Kingdom is more than one-fourth. In the United States the volume of internal trade in 1894 was nearly ten times as great as that of the foreign trade of the country; Great Britain's internal trade in the same year was not much more than twice as large as the volume of her exports and imports.

As has been suggested in another place, the extent and importance of the British external trade is responsible for the confusion which undoubtedly exists in many minds regarding the respective values of home and foreign trade. It would hardly be just to charge that all free traders speak with contempt of the former, for there are some who recognize that the prime object of barter, even in its most highly developed form, is the sustenance of peoples, and that the system which accomplishes this most successfully must be the best. But by far the larger portion of the followers of Cobden share in the vulgar error that only foreign trade is profitable, and that the internal trade of a country is as profitless as the swapping of jackknives by boys. It is a curious attitude for those who have criticised the mercantilists to assume, and suggests the applicability to the free trader of the scriptural injunction to remove the mote from his own eye before attempting to extract the beam from his brother's.

The free trader urges that the increase of the national wealth should be the object of an economic policy, and the protectionist agrees with him, but the former contends that the result can be most easily achieved by what may be termed a system of concentration, while the latter urges that concentration, if carried too far, must result in wastefulness, and that the best economic policy is that of diffusion. The free trade idea is concretely expressed in the declared intention of the British followers of Cobden to make Great

Britain the workshop of the world; the protectionist view is clearly brought out in the assertion that it is the part of wisdom to bring field and factory together.

Force of circumstances molded British opinion. It is impossible to conceive the philosophers of a country adequately provided with supplies of food and raw material formulating theories resembling those advanced by Cobden. Had the original seat of British industry been in such a country as Russia or the United States, or were it impossible for intellect to assert itself within the confines of a small island, there would have been no false economic doctrines taught. Men would not have urged that unnecessary transportation results in saving, or that it is wise to develop the capabilities of one set of people and to hinder the advancement of others by depriving them of the benefits flowing from a many-sided development. If the nations of the world were equally favored with resources growth would have proceeded along natural lines, just such lines as those now pursued by the United States.

Back of the barrier of protection which had to be reared to permit the nation to enter upon its career of prosperity the United States is working out its destiny more economically than Britain, as the presentation of facts concerning existing conditions will show. The sequel will demonstrate the truth of this assertion so impressively that not a single voice will be lifted in advocacy of a system which does violence to the term economic, and which could only have succeeded by retarding the progress of the whole of mankind, including even those who selfishly imagined that they could benefit at the expense of the rest of the world.

The growth of internal trade of the United States, which keeps pace with the great increase of population, conclusively proves the wisdom of making temporary sacrifices to reach a stage of practical industrial independence. The economic policy adopted by the Americans in some respects resembles that of a pioneer in a country covered with marketable

timber, who makes the proceeds of his clearing operations maintain him in comfort while he is creating a farm from which to derive a future livelihood. His labors might have proved more profitable temporarily if he had devoted himself wholly to "lumbering," proceeding from one tract of land to another as rapidly as he had stripped the ground of its more valuable timber, but in the end he would have been poorer, for he would have left behind him a practically valueless country incapable of supporting a man with civilized wants. Is there anyone who will claim that the method of the prudent pioneer is not more beneficial to mankind in the long run than that of the timber stripper? The latter may flourish for a time, but the man who has cleared a strip of land and put it into condition for cultivation at the expense of a small sacrifice of energy—and even this may have been unnecessary if he had an opportunity to judiciously dispose of his timber—has created a farm from which he and his descendants may derive a perpetual revenue.

Applying our illustration to the operations of a whole people, such as that which was planted during the colonial period in the regions now comprising the United States, we find that the pursuit of the system advocated by the Cobdenites would have proved as disastrous to the country as timber stripping. It was the chief aim of those who established plantations in America in the colonial days to derive supplies of raw material from them to be worked up into manufactured articles in England. At the time of the settlement of Virginia the English were suffering severely from the diminution of their fuel supply, which threatened the destruction of their iron industry. That was before they discovered that coal would prove a desirable substitute for wood to generate heat for smelting ores. Accordingly, the scheme of opening up the Virginian ore deposits was devised. It never proved successful because of the subsequent use of coal in England, but it may readily be inferred what the

consequences might have been if the fortunate discovery that coal would serve as well as charcoal for converting the ores into pigs had not been made. Virginia in that event might have enjoyed a temporary prosperity, but the lands in the vicinity of her mines would have been denuded of their timber and the earth would have been robbed of its mineral stores for the benefit of people living in distant lands.

When iron mining, owing to the circumstances related, proved unprofitable, the industry of the Virginia colonists was forced into a fresh channel which held out no greater hopes of permanent benefit to those desirous of making a home in the new country than the smelting of ores. The attention of the settlers was wholly confined to the cultivation of tobacco. An American historian tells us that the effect of this exclusive devotion to a single product "defeated one of the leading purposes for which the colony was founded; that is to say, Virginia failed to furnish England with the commodities which she had been importing from Russia, Sweden, Holland, France, Spain, and the East."\*

It is not difficult to perceive why the hopes of the projectors of the colonies and the British people were disappointed. The concentration of the energies of the Virginia colonists on the production of a single staple article, no matter how profitable it may have been, was responsible for the failure. Had the colonists been encouraged to diversify the industries of the plantations the hoped-for results might have been attained. But such a policy was undreamed of in that day. The English of the period were as eager as those of the nineteenth century to absorb all the profits of manufacture. It is sometimes charged that the repressive methods adopted to prevent the growth of manufactures in the colonies was due to the jealousy engendered by the teachings of the mercantilists, but a more candid explanation is that which admits that it was inspired by the always present desire of the

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\*Bruce, *Economic History of Virginia in Seventeenth Century*, Vol. II, p. 393.

British to discourage human energy in other lands when it threatens to militate against the development of the resources of Great Britain.

A critical examination of the aims of seventeenth and eighteenth century Englishmen discloses that they were nearly the same as those advocated later by the Manchester school. They were, in brief, to induce, if possible, the rest of the world to devote itself to the production of raw materials and of such articles as the British Islands were incapable of producing, and leave to the English the congenial and profitable task of manufacturing for the whole of mankind. The only essential difference between the earlier and later policies was that before the Americans achieved their independence it was possible for the English to forcibly impose their views on colonists, whereas afterwards they were obliged to present arguments calculated to convince the people living in undeveloped countries that their most profitable course would be to devote themselves to the pursuit of industries which would not bring them into collision with those already established in the United Kingdom.

There is no question about the purposes and methods of the British in the colonies during the revolutionary period. We have seen that at the very outset the design was to exploit the mineral wealth of a section which is now one of the most densely populated parts of the United States. In the pursuit of this object the British did not shrink from the destruction of the forests of the new country. In their attempts to secure the supplies of iron necessary to carry on their manufacturing industries they did not hesitate to adopt methods calculated to permanently impair the utility of the country. When they were diverted from this purpose by the discovery that coal would answer better than wood for smelting purposes they turned their attention in the Virginia plantation to the production of an article which might be profitably traded with and discouraged all other forms of industry. The writer already quoted after speaking of the

precautions taken to prevent the colonists becoming self-dependent says:

“For these reasons it appeared to be of vital importance to the English statesmen of the seventeenth century that the planters should not be allowed to take steps looking to the development of manufacturing interests among them; and it cannot be said that their views were entirely untenable. To permit the colonists to export their agricultural products to any foreign country and at the same time to foster manufactures in Virginia was to destroy all the ties except those of race uniting England to the population of that territory. \* \* \* The mercantile system bore less heavily on Virginia than on New England. Her soil was capable of producing a commodity which found a remunerative market in the mother country; whereas New England was thrown back upon her agricultural products, which it was impossible after 1650 to import into England on account of the heavy duties then imposed to protect the English farmer from foreign competition.”\*

It is hardly possible to disguise the fact that this attempt to compel the colonists by forcible means to remain in the narrow agricultural groove marked out for them by the people of the mother country was inspired by the same spirit and animated by desires precisely similar to those entertained by the Cobdenites. As already pointed out, the early English were able to coerce, while their successors were obliged to resort to persuasive sophistries. It does not matter, however, what means were or are resorted to; the consequences must be the same in such cases. If the disposition of a people to diversify their industries is checked either by force or a mistaken opinion that a country can become great or prosperous by remaining in the condition of dependence which devotion to agriculture or the production of raw materials implies, the result in either event prove disastrous.

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\*Bruce, *Economic History of Virginia in Seventeenth Century*. Vol. II, p. 394.

A vivid picture of the condition to which a people may be reduced by consenting to accept the role of dependents may be found in the pages of an annalist whose words are epitomized for us by the author of the *Economic History of Virginia in the Seventeenth Century*. Mr. Bruce says:

"Beverly, who indulged a spirit of exaggeration to some extent, writing towards the end of the seventeenth century, when the English had been in possession of the country for nearly a hundred years, reproached the inhabitants not only for their slovenly and wasteful system of agriculture and their neglect of many products to which the soil was adapted, but also for their strong indisposition to supply themselves by local manufactures with a larger proportion of those articles which they had from the foundation of the first settlement been obtaining by importation from abroad. The Virginians, he said, sheared their sheep only to cool them. There was little thought of the clothing into which the fleeces could have been converted. The head covering of the Virginians was made of fur which had been sent to England from the colony for working up and then returned in the shape of hats to be sold or bartered at a great advance on the cost of raw material. A large quantity of the hides which were a part of the annual production of every plantation were thrown on the ground to rot or were used to protect goods from the rain dripping through the leaky roofs. Some of the hides, it is true, were manufactured into shoes, but the process was so carelessly and rudely performed that the planters bought English shoes in preference whenever the opportunity presented itself. Although the forests of Virginia furnished varieties of woods which in delicacy of grain and durability of fiber were particularly suitable for the manufacture of every kind of woodenware, nevertheless the inhabitants of the colony persisted in obtaining from England their chairs, tables, stools, chests, boxes, cart wheels and even their bowls and birchen brooms."\*

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\*Bruce, *Economic History of Virginia in Seventeenth Century*. Vol. II, p. 397.



It does not detract from this narration to say that the colonists were constrained; the result would have been precisely the same if they had been perfectly free agents and had followed or accepted as sound a theory similar to that promulgated later by the adherents of the Manchester school, who taught that a country finds its greatest profit in following those pursuits to which it seems most naturally adapted. The production of tobacco in Virginia seemed to be such a pursuit, and other forms of agriculture offered attractions in the neighboring colonies; therefore, according to the assumption of the Cobdenites, the colonists ought to have been prosperous and happy people. Indeed, relying on the assertions of Adam Smith, they assume that such was the case, but the evidence is overwhelming that the distinguished economist was misled by surface indications and that the American colonial prosperity he speaks of in his "Wealth of Nations" was not general.

Doubtless the American planters were more or less thriving on the eve of the Revolution, but the masses were not. On that point modern historians speak with no uncertain voice. Years after the conclusion of peace, owing to the backwardness of the colonies in manufacturing, the condition of the people was most deplorable. McMaster gives a glimpse of the life of the average American in this interesting passage. After reciting the fact that a workingman who could earn fifteen shillings a week was fortunate, he goes on to say:

"On such a pittance it was only by the strictest economy that a mechanic kept his children from starvation and himself from jail. In the low and dingy rooms which he called his home were wanting many articles of adornment and use now to be found in the dwellings of the poorest of his class. Sand sprinkled on the floor did duty as a carpet. There was no glass on his table; there was no china in his cupboard; there were no prints on his wall. What a stove was he did not know; coal he had never seen; matches he had never

heard of. Over a fire of fragments of boxes and barrels, which he lighted with the sparks struck with a flint or with live coals brought from a neighbor's hearth, he cooked up a rude meal and served it in pewter dishes. He rarely tasted fresh meat as often as once a week, and paid for it a much higher price than his posterity. Everything, indeed, which ranked as a staple of life was very costly. Corn stood at three shillings the bushel, wheat at eight shillings and six pence, an assize of bread was four pence, a pound of salt was ten pence. \* \* \* If the food of an artisan would now be thought coarse, his clothes would be thought abominable. A pair of yellow buckskin or leathern breeches, a checked shirt, a red flannel jacket, a rusty felt hat cocked up at the corners, shoes of neatskin set off with huge buckles of brass, and a leathern apron comprised his scanty wardrobe. The leather he smeared with grease to keep it soft and flexible."\*

This picture describes better than volumes of statistics could the arrest of development in the colonies owing to an economic policy which compelled the people to devote themselves to the production of rude products. It shows conclusively that the highly colored statement of Smith that the condition of labor in the colonies was enviable was absolutely unreliable and that the fact cited by him that the colonists could "afford to import the more advanced and more refined manufactures" from the mother country was not due to the prosperity of the many, but that such importations were confined to the class who were profiting by slave labor and who extracted with extreme difficulty from the great estates existing in a country where land was so abundant incomes which would appear meager compared with those derived from very much smaller properties in a country provided with a manufacturing industry.†

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\*McMaster, *History of the People of the United States*.

†Smith, *Wealth of Nations*, Book IV, Chap. VII.

There can be no doubt whatever that the British policy of repressing manufactures in the colonies would have proved permanently successful if there had been any disposition on the part of the colonists to accept teachings resembling those of Smith. But they could not be persuaded that the road to prosperity would ever be found while they remained in a state of dependence on the mother country. They rejected the soothing assurance that their best interests would be consulted by importing from Great Britain "all the more refined or more advanced manufactures," because they could be obtained "cheaper than they could make them for themselves."

The author of "Wealth of Nations" understood the nature of the difficulties in America at the outbreak of the Revolution better than most of his contemporaries. There is a suggestion in his work that he was inclined to regard the future transference of the seat of British power to the new world as a remote possibility, but the major part of his argument compels the belief that he felt certain that so long as the colonies were devoted to agriculture they must remain dependent upon the mother country.

While Smith felt assured on this point, he could safely denounce as a mischievous policy that of attempting to restrain the colonists by legislation from engaging in "more advanced or more refined manufactures." Why pass laws to effect something which would inevitably be accomplished without friction? If it was impossible for the colonists to manufacture as cheaply as in the mother country, and if they were not permitted to adopt protective measures, how could they hope to engage in rivalry with the manufacturers of Great Britain? Smith saw they could not, and therefore considered the restraints imposed on the colonists superfluous.

An economist whose writings have attracted worldwide attention has described the limitations under which Smith produced his great book, and pointedly intimates that he found it necessary to indulge in a species of deception which

inclined proprietors of large estates to believe that he shared their contempt for the aspirations of the commercial classes.\* A question arises whether this estimate of the Scotch economist does him justice. There is enough of vacillation and uncertainty in his work to account for his alleged sneers at the movement which was gaining force when he wrote without attributing it to conscious dishonesty. It is not unreasonable to suppose that when he summed up his views of the purposes of the American colonists he saw that commercial independence was aimed at in America, and that the controversy was not one over taxation and representation, as has been so generally assumed. So much may be inferred from this language, which contains a sneer and a prediction: "From shopkeepers, attorneys and tradesmen they are become statesmen and legislators, and are employed in contriving a new form of government for an extensive empire, which they flatter themselves will become, and which indeed seems very likely to become, one of the greatest and most formidable in the world."†

There is no doubt that the shopkeepers and tradesmen referred to by Smith aimed at the creation of a great empire and that they felt that the vastness of the resources of their country would assure the attainment of their aspirations. No matter how much of a purely political nature may be found in the discussions of revolutionary times it is easy to discover a strong undercurrent of the practical. The demand for liberty cannot, therefore, be construed into a mere desire for representation; it was more likely an expression of the determination of the colonists to develop their material resources without interference from the mother country.

This fact is often obscured by misconception of the motives of those who advocated freedom of trade with Great

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\*George, *The Science of Political Economy*, p. 167, etc.

†Smith, *Wealth of Nations*, Book IV, Chap. VII.

Britain after the declaration of peace. Such demands did not imply adhesion on the part of those preferring them to the idea that the United States would derive a greater advantage by purchasing the cheap manufactured articles of England than from developing their own resources. On the contrary, there was unmistakably a preponderance of opinion in favor of promoting home industries, and many of those who appear to have recorded themselves as favoring freedom of trade were advocates of a protective tariff.

The explanation of the apparent contradiction consists in the different interpretations placed by men on the term "freedom of trade." Investigation will disclose that the founders of the republic did not deem that protective laws were to be placed in the category of obstacles to freedom of trade. They looked upon some of the excesses of the Navigation Act of Great Britain and the methods of the Mediterranean piratical rulers as hindrances to commerce, but they could not be induced to believe that steps taken to encourage home industries were objectionable.

But whatever may have been the views of the time concerning a question which is still the subject of contention, it is quite certain that the majority of the revolting colonists were in favor of taxing imports in order to encourage home industries.\* This purpose, which found expression in the Federal Constitution, was more or less persistently adhered to until the slave-holding oligarchy of the South became dominant. There has never been a time since the formation of the Government when there has not been a great party in this country whose members were profoundly convinced that genuine prosperity could only be assured by planting on our soil a strong manufacturing industry.

Recurring to the illustration employed at the beginning of this chapter, it may be said that the masses of the American people have always been firm believers in the policy of

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\*Constitution of the United States.

filling the national commercial reservoir and that they were ready to undergo a present dearness if the apparent sacrifice promised to bring future cheapness, and plenty of employment for the people while this latter result was being achieved. Even when the slave owners were in full control at Washington and openly proclaimed that the interests of their "peculiar institution" required free imports of cheap British manufactured goods so that raw cotton could be produced in greater abundance and on more favorable terms, the free white people of the North never lost heart, and were always ready to seize the opportunity to advance the real prosperity of the country by encouraging domestic production in every line of industry.

The opportunity presented by the necessities created by the Civil War was promptly seized by the advocates of protection, and since the passage of the Morrill Tariff Act there has been a steady adherence to the policy of filling the national industrial reservoir. Even the tentative efforts of Cleveland to bring about a recrudescence of the ideas of the Manchester school were defended on the ground that the proposed changes in the tariff would still leave the duties so high that incidental protection would be afforded. Assurances of this kind were absolutely necessary, for, as has been judiciously observed by an English advocate of what is called "Fair Trade," such a thing as an absolute free trader, outside of a narrow clique of doctrinaires, is almost unknown in the United States.

The effects of the steadfast devotion of Americans to the sensible economic course of home development may be inferred from the statistics of Mulhall, who shows in the most convincing fashion that the efforts to fill the national commercial reservoir have not been unavailing, and that from being a dependent nation we have in a comparatively brief space of time nearly effected our industrial emancipation.

The figures of internal trade derived from Mulhall to which we are about to call attention display the vast extent

of the industrial reservoir of the United States and the great measure of success that has attended the efforts of the protectionists to fill it. They will show also, when compared with the statistics exhibiting the degree of success achieved by other nations, that the United States stands pre-eminent among the progressive peoples of the earth.

Taking as our starting point 1860 and the year 1894 as a date for measuring the advances made, we find that in the beginning of the period the internal trade in agricultural products in the United States was £420,000,000; thirty-four years later it was £813,000,000; trade in manufactured products amounted to £392,000,000 in 1860; in 1894 it had expanded to £1,952,000,000; our forests and fisheries furnished an internal exchange aggregating only £35,000,000 in 1860; the volume of this trade reached £130,000,000 in 1894; the value of minerals represented in our mineral trade was £30,000,000 in the first named and £94,000,000 in the last year of the period. While our imports which may be regarded as an index of the state of the country's dependence on foreigners only increased from £75,000,000 in 1860 to £136,000,000 in 1894, the aggregates of these different headings show that our internal trade amounted to £952,000,000 in 1860 and to £3,125,000,000 in 1894.\*

The striking feature of the foregoing presentation is the enormous development of manufactures, which represents a fivefold increase, and of the threefold expansion of the mineral industry; while imports scarcely doubled during the period. It is quite obvious from these comparisons that the object of the protectionists has been steadily persevered in and that it is in a fair way to be accomplished. The work of filling the domestic industrial reservoir has gone on uninterruptedly, and during its progress the growing population of the country has made constantly increasing demands upon it without impairing the supply, which, as the rela-

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\*Mulhall, *Industries and Wealth of Nations*, 1896.

tively decreasing imports show, is rapidly becoming great enough to meet the wants of a nation whose consumptive ability far surpasses that of any other on the globe.

This tremendous result has been accomplished without making an appreciable sacrifice. It is true that the level of prices in the United States has been higher than that in some other countries, but as the standard of comfort of the masses is admittedly much higher in this than any country in the world it is idle to argue that the cost of living places Americans at a disadvantage. The range of prices is much higher in England than on the continent, but no one pretends on that account to assume that continental peoples are better off than the British. On the contrary, it is conceded that the reverse is the case.

This is a condition that is likely to prevail in the United Kingdom so long as its people maintain their ability to create wealth on a large scale. When Great Britain ceases to do this and becomes a mere nation of consumers the situation will be greatly altered. This is a fact which British economists should have found no difficulty in grasping, for they have always taught that the condition of the people must depend upon the augmentation of the national wealth by production. That they were incapable of perceiving that the United States was pursuing a policy which had for its object the accomplishment of a result which their teachings proclaimed as desirable can only be explained by assuming that political economists are prone to overlook the fact that there may be more than one practicable mode of reaching a desirable goal. Thus it may be the natural method, it certainly is the most primitive one, for a man who purposes visiting a distant city to walk; but the person who takes that highly artificial development, the modern express train, is likely to reach his destination first. The resort to the artificial contrivance may seem the more expensive, but in the long run it will be found the cheapest.

Adam Smith and a long line of British free traders who



have followed him have persistently urged that the most profitable plan for a people to adopt is the natural one. They have not hesitated to recommend that new countries should imitate the example of the weary plodder and leave to older nations the use of express trains. Fortunately there has always been a suspicion in the United States, except within the walls of certain colleges, that advice of this kind is not entirely disinterested. Had the case been otherwise the census records might have made an entirely different showing and Mr. Mulhall would not have been called upon to note that the wealth of the United States had increased during the protective period at a rate which makes British expansion seem insignificant. According to our English authority, in 1860 the wealth, urban and agricultural, of the United States amounted to £3,366,000,000; in 1895 it had increased to £16,350,000,000. During the same period British wealth increased from £7,206,000,000 to £11,806,000,000.\*

In thirty-five years American wealth increased fivefold, while that of Great Britain fell far short of doubling itself. Whatever else this may demonstrate, it certainly shows that the American effort to fill the home reservoir was successful.

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\*Mulhall, *Industries and Wealth of Nations*, 1896.

## CHAPTER X.

### AGRICULTURE AND ECONOMICS.

#### FARMING AIDED BY PROTECTION AND HINDERED BY FREE TRADE.

Agriculture in the United States—It has not been retarded by the diversion of capital to manufacturing—Troubles of American farmers due to overproduction—Relief afforded by the growth of a great urban population—Adam Smith's erroneous assumption concerning the difficulty of creating capital—The mobility of capital causes it to be transferred to points where it can be most profitably employed—The artificial stimulus of manufactures has directly contributed to the development of American agriculture—The United States the leading agricultural nation—Protection responsible for improved processes of production—The part played by machinery in American farming—Why agriculture makes no progress in some countries—Value of American farm products—Comparisons of American and British growth—The repression of farming in England due to free trade—The safety of the British nation imperiled—Heavy taxes imposed upon the British to maintain food supplies—The creation of a great pauper class—Resemblance to conditions in ancient Rome.

The Cobdenite who has laboriously inculcated the idea that the aim of statesmen should be to promote the national wealth when confronted with such evidence as that presented in the foregoing chapter is, as a rule inclined to fall back on the assumption that still greater results would have been achieved had protectionist United States devoted itself to the development of its "true natural resources." This term, when employed by a follower of the Manchester school, applies to agriculture or the production of raw materials, it being assumed that it is an unnatural thing for the people of a new country to develop

its resources beyond the food and raw product stage, because the peoples of older countries with accumulated capitals and acquired capabilities are able for a time to produce manufactured articles more cheaply than the former.

The attempt of the Cobdenites to fortify this argument has led to some extraordinary assumptions and not a little misrepresentation. It has been asserted without any attempt whatever to justify the charge that the protective system of the United States tended to retard its agricultural development and that American farmers have been made the victims of a system designed to promote one branch of industry at the expense of another. This latter propensity is assumed to be one of the most pronounced characteristics of protection.

The reader of a Cobden treatise who happened to be unprovided with other facts to set him right might easily infer that the effect of protection in the United States had been to stunt agriculture, and that conversely the British free trade policy was one which had operated so beneficently in Great Britain that all industries had flourished alike. In the following pages these assumptions will be examined and proof will be furnished that every Cobdenite prediction has been falsified by the event and that every statement that protection has stimulated manufactures at the expense of the agricultural class in the United States is absolutely without foundation; while, on the other hand, incontestable evidence will be produced to affirm the protectionist charge that the British free trade policy has ruined English agriculture.

The evidence regarding the progress of American agriculture is so abundant it is extraordinary that attempts are made to create the impression that it has been retarded by the operations of a protective tariff. It is true that the farmers of the United States have had occasion during recent years to complain that their rewards were not as satisfactory as formerly, but an investigation of their complaints develops

the fact that such evils as they have experienced would have been greatly accentuated had American statesmen made the fatal blunder of neglecting the encouragement of manufactures. There can be no doubt on this point, for the evidence is overwhelming that the farmers of the United States have been suffering from the combined effects of an appreciating money and overproduction, which together have caused a tremendous fall in the prices of American farm products.

The Cobdenites have frankly avowed that the success of their system depended upon the stimulation of the production of raw materials and food supplies by other countries so that the British working classes could obtain them in abundant quantities and cheaply. It may, therefore, be difficult to convince them that whatever evils are at present experienced by agriculturists in this and other protectionist countries would have been intensified had the entire energies of protectionist peoples been devoted to the production of the rude products of the soil. But the sufferer from overproduction is more amenable to argument. If, under the present system, which the Cobdenites assert is repressive in its character, the farmers of this and other countries produce in such abundance that their chief concern is to find a profitable market, what would have been the result had the millions now forming the urban population of the United States, and whose immediate dependence for a livelihood is upon manufacturing industries, turned their attention to the cultivation of the soil?

The Cobdenite has airily assumed that the agriculturalist in such case would have found his compensation in a greatly reduced cost of the manufactured products consumed by him, but the evidence advanced in a preceding chapter, that so long as Great Britain enjoyed a practical monopoly of the trade in manufactured articles there was no disposition to share her prosperity with other peoples, forbids the assumption that any such result would have followed. There is no fact better attested than that the aim of the Cobdenites was

narrowly selfish. The British believed that the true commercial policy of their nation was to buy in the cheapest and sell in the dearest market, and it was their purpose to make their manufactured products as dear as possible to outsiders by preserving as close a monopoly as practicable, while at the same time they aimed to secure their supplies of food stuffs and raw materials cheaply by pitting nations with agricultural capabilities against each other.

The economists of a country are apt to take on the color of their surroundings. It is not surprising, therefore, that in the first flush of the discovery by Britons that it would be conducive to the national prosperity if Great Britain could be made the workshop of the world to find ingenious men framing subtle arguments designed to convince backward peoples that their true interests would be forwarded by remaining in a state of dependence. Such arguments frequently took the form of demonstrations that agriculture must of necessity be retarded in new countries if capital was diverted from what those who formulated them declared must be its most profitable employment, namely, in aiding the production of food and raw materials, to manufacturing, which they emphatically asserted could never be successfully and profitably pursued unless it developed itself naturally.

This fundamental error of the Manchester school is due to a slavish adherence to the teachings of Adam Smith, whose mind was permeated with the idea that capitals are created with infinite difficulty and who sometimes spoke as though he imagined that the limit of their creation had been reached at the time he wrote. It is clear that Smith did not foresee that what was once esteemed so difficult would, a few years after his death, be achieved with ease. Had he dreamed of the tremendous expansion of capital that has occurred since the middle of the present century and of the great mobility that would be imparted to it by improved methods of transportation and communication he would not have ventured to assert that "no regulation of commerce can

increase the quantity of industry in any society beyond what its capital can maintain. It can only divert a part of it in a direction into which it might otherwise not have gone, and it is by no means certain that this artificial direction is likely to be more advantageous to the society than that into which it would have gone on its own account.”\*

There was hardly any excuse for this assumption that capital was so scarce that its employment in a stimulated industry must necessarily have been regarded as a diversion even in the time when Smith wrote. In another connection he informs us that: “The mercantile capital of Holland is so great that it is continually overflowing, sometimes into the funds of foreign countries, sometimes into loans to private traders and adventurers of foreign countries, sometimes into the most roundabout foreign trades of consumption and sometimes into the carrying trade. All near employments being filled up, all the capital which can be placed in them with any tolerable profit being already placed in them, the capital of Holland necessarily flows towards the most distant employments.”†

A moment’s reflection will convince any one that if the condition here described existed Holland might have invested a portion of its surplus capital in a new country. It is quite certain that the Dutch would not have been deterred from engaging in a venture in the colonies which promised profit no matter to what it may have owed its origin; and it is equally certain that had they done so the employment of their capital in promoting a stimulated enterprise would not have constituted a diversion, for Smith expressly states that the Hollanders were compelled to seek new fields for investment. Under the circumstances, it is easy to conceive of the development of a manufacturing industry in a new country with insufficient capital of its own without in the

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\*Smith, *Wealth of Nations*, Book IV, Chap. I.

†*Ibid*, Book IV, Chap. VII.

least retarding its agricultural development by diverting from it the capital necessary for its expansion.

That agriculture has never suffered from the diversion of capital to other pursuits in this country is easily established. Indeed, it would not be difficult to demonstrate that the creation of a manufacturing industry by a resort to protection, instead of depriving the people of the country of the opportunity of developing the capabilities of the soil, has actually promoted that result. There can hardly be any question that the extension of the American railway system, which has done so much to open up vast regions of great fertility, is in large part due to the prosperity of the manufacturing industry, the surplus earnings of which have found their way into transportation enterprises. Had a manufacturing industry not been created, had the American people chosen to remain mere producers of rude products, the railway system of the United States could not have attained its present proportions. No strictly agricultural country could support such a system. It required that interdependence which results from the proximity of field and factory to bring about that constant tendency to extend the railroad facilities of the country which has done so much to make the United States the leading agricultural nation of the world.

This is no idle claim. It rests on figures of production which admit of no other deduction. Mulhall asserts in the most positive manner that no nation begins to approach the United States in the magnitude of its agricultural productions, and, what is of more consequence to this discussion, he concedes that this country has beyond all others made the best use of its opportunities. Speaking of the period between the repeal of the corn laws and 1895, he says: "The growth of American agriculture in half a century has been unparalleled in any age or nation."\*

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\*Mulhall, *Industries and Wealth of Nations*, 1896.

It is evident from this testimony that the agricultural development of the United States was not interfered with by the simultaneous development of a manufacturing industry on American soil. On the contrary, it implies that the diversification of industries proved a stimulus to farming and that the protective system was chiefly responsible for the enormous expansion in the different fields of agricultural production to be noted later on.

Protection also affords an explanation of the fact remarked by Mulhall that "there has been such an improvement of agricultural machinery of late years in the United States that the area of cultivation per farming hand rose from thirty-two acres in 1870 to thirty-seven in 1880." This advance was directly due to the development of the mechanical faculty among the American people. Had the United States devoted itself exclusively to agriculture the backward condition observable throughout the Southern States before the recent manufacturing awakening in that section must have prevailed generally throughout the Union.

If we turn to the statistics of the Patent Office of the United States we find that the proportion of inventions credited to the South during the ante-bellum period was very small, and a detailed examination of the matter would show that the inventive faculty was almost dormant in those sections of the country which devoted themselves wholly to agricultural pursuits.

In an interesting sketch of the development of Agricultural Machinery and Implements in the United States, by Eldridge M. Fowler\* we find abundant evidence of the beneficial effects of the proximity of a manufacturing industry to American fields. No one can read the article referred to without being impressed with the fact that the advance of the agricultural interest in the United States owes more to the intelligent assistance rendered by men with the mechan-

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\*One Hundred Years of American Commerce, Vol. II, p. 352.



ical turn of mind who had their training in the machine shops and factories of the country than to the efforts of the farmers themselves. The figures showing the enormous extent of the branch of manufacturing devoted to the production of agricultural machinery and implements are in themselves sufficient to establish the claim that in the United States the machine shop is the strong right arm of the farmer. In 1890 there were 910 establishments specified in the Government Bulletin as reporting themselves as wholly devoted to the manufacture of agricultural machinery and implements. These concerns reported an aggregate capital of \$145,313,997, employed 39,380 hands and paid wages in the census year to the amount of \$17,652,162, the value of the product of their industry being \$81,271,651.

In the year to which these figures relate the number of farms in the United States was 4,564,641, with an acreage of 623,218,619, valued at \$13,279,252,649. The farmers tilling this vast area were the possessors of agricultural machinery valued at \$494,247,647, this amount representing an increase of 21 per cent. in such holdings in ten years.

A study of these statistics helps us to understand the enormous impulse given to agriculture during the past half century in the United States and enables us to realize why "the grain crop of 1895 (in this country) was equal to eight tons per hand employed in farming, compared with an average of only two tons per hand in Europe." Mulhall, who makes this statement, says distinctly that "the superiority of the American agriculturist is due to improved machinery," and his view is concurred in by Fowler, who remarks that "by the aid of the wonderful implements designed for his use the American farmer has within the last half century been enabled to increase the effective force of labor fully 20 per cent., which means an annual net gain to the agricultural community of probably not less than \$200,000,000."\*

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\*One Hundred Years of American Commerce, Vol. II, p. 356.

It would not be difficult to establish to the satisfaction of reasonable persons that these remarkable achievements of American agriculture could not have been accomplished had the people of the United States been satisfied to depend upon foreigners for their supplies of manufactured articles. It is inconceivable that the numerous valuable machines now in use on every American farm would have been called into existence had not the needs of the American farmer been studied at close range by American mechanics. The curious who care to inquire into such matters will speedily discover that nearly every important agricultural machine invented in this country owes its existence to the promptings of the mechanical mind and the disposition of those inclined to invention to study out methods of profiting by the faculty, and not to any demand or suggestion made by the agricultural classes. There is, therefore, no ground for the belief that the condition of agriculture in the United States would have been more advanced than in Europe had Cobdenism prevailed.

Mulhall says: "If the economy of labor was as well understood in all countries as in the United States, where each hand cultivates twenty-one acres, the tilled area of Europe would be two and one-half times as great as it is."\* The compliment conveyed in this remark is appreciated by Americans, but it would be an exhibition of egotism and vanity to assume that the fact cited indicates the superiority of the agricultural class in this country over that of similar classes in Europe. There is not the slightest doubt as to the real cause, and it is the one already referred to.

Had the American people remained in a state of dependency such as the devotion to agriculture would have involved, they would probably be farming on lines not more advanced than those marking European cultivation. There is every reason to believe that if we were a purely agricul-

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\*Mulhall, *Industries and Wealth of Nations*, 1896.

tural community the British manufacturer at long range would study the needs of the country precisely as he does those of the agricultural people of Central and South America. The extent of this study is to determine as nearly as possible what the prejudices of a people are and to meet the demand for their continuance. It is a notorious fact that this is the method pursued by Germany and Great Britain in catering for the trade referred to. If a people are accustomed to carrying on their occupations with cumbersome tools which might easily be replaced with lighter and better implements no attempt is made to bring about the latter result. On the contrary, all the boasted ingenuity of the foreign artisan is devoted to supplying just such tools as the people have been using, thus assisting in the perpetuation of habits calculated to produce a minimum of beneficial results to mankind. If anyone doubts this let him study the consular reports of the British and observe how much stress is laid upon the necessity of catering to the prejudices of foreigners and of not attempting to force on them tools and machinery to which they are unaccustomed.

It is only because the farm in the United States has been encroached upon by the factory that a different result is noticeable. The manufacturer has not permitted the farmer to remain in a groove. Self-interest has impelled him to offer his services to the tiller of the soil who would have indefinitely pursued the methods of his ancestors. The history of invention will show that the occasions are extremely rare in which the quality asserts itself among strictly agricultural peoples. It required communities in which mechanical ingenuity and skill are highly developed, situated in the midst of great fertile areas, to help produce such results as have been achieved in the United States by American farmers.

Had these manufacturing communities not been called into existence by a protective tariff American agriculture would be as plodding and unprogressive as it is in other parts

of the world. That interdependence which Spencer has told us accomplishes so much for mankind has been the great factor in our agricultural progress, and the attempt to diversify our industries by artificially aiding them is responsible for its growth in this country. Had there been no resort to protection the American people might have remained homogenous and unenterprising, and instead of enjoying the advantages which flow from that complexity of civilization which is the distinguishing feature of interdependence the United States might be as dependent as Turkey or a Central American State.

Recurring now to the argument of the Cobdenite that the inevitable tendency of protection is to impede the growth of that particular industry for which a country is best fitted by nature, let us see whether the alleged economic blunder of protection has operated disastrously to agriculture in the typical protectionist country—the United States. It has always been held by the writers of the Manchester school that the interests of the United States would have been best subserved by a strict devotion to the production of food products and raw materials. As distinguished an exponent of free trade as Mr. Gladstone, in a discussion with James G. Blaine carried on in the pages of an American review, actually took the ground that a resort to protection conclusively demonstrated that our manufacturing industries were exotics, and painted a glowing picture of what we might have accomplished if we had devoted ourselves exclusively to pursuits for which Americans and their country were better fitted.

Acute as the intellect of this remarkable Englishman undoubtedly was, his mind had been so warped by the teachings of Cobdenism that he committed the absurd blunder of likening the American attempt to encourage home manufactures to the effort to raise pineapples under glass in competition with the producers of the tropics. It is true that when Mr. Gladstone used the illustration to which we refer he

admitted that he was carrying the argument to extremes, but he clearly showed that he believed that the attempt to create an iron industry in competition with that of Great Britain was as absurd as it would be for Englishmen to try to raise pineapples in hothouses. "A pineapple," he said, "is now sold in London for eight shillings and six pence which before we imported that majestic fruit would have sold for two pounds. Why not protect the grower of pineapples at two pounds by a duty of 400 per cent? Do not tell me," he added, "that this is ridiculous. It is ridiculous upon my principles; but upon your principles it is allowable; it is wise, it is obligatory—as wise, shall I say? as to protect cotton fabrics by a duty of 50 per cent. No; not as wise only, but even more wise, and therefore, even more obligatory. Because according to this argument we ought to aim at the production within our own limits of those commodities which require the largest expenditure of capital and labor to rear them in proportion to the quantity produced; and no commodity could more amply fulfill this condition."\*

These views were expressed by Mr. Gladstone in the first month of the year 1890 and were directed at the United States, and were supposed to fortify his contention that protection resulted in diverting capital from more profitable pursuits. He said in a paragraph closely following the above: "I shall boldly contend that the whole of this doctrine—that capital should be tempted into an area of dear production for the sake or under the notion of keeping it at home—is a delusion from top to bottom," and in another place, in the same connection, he remarked: "Protection says to a producer, Grow this or manufacture that at a greater necessary outlay, though we might obtain it more cheaply from abroad, where it can be produced at a smaller necessary outlay."

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\*Gladstone, North American Review, Article, "Free Trade," January, 1890.

It is a harsh assertion to make, but there can be no doubt whatever that in these and the foregoing passages Mr. Gladstone deliberately misrepresented the purposes and practices of protectionists. He was perfectly familiar with American tariff schedules and he must have known that they embraced a large number of articles on the free list, and these exempted things he knew were not taxed because our lawmakers recognized that a tax imposed on an article we are incapable of producing must necessarily fall on the consumer and that home industry would not be encouraged by such an imposition. He must also have been familiar with the fact that protection is only accorded to such things as there is a rational ground for believing we can eventually produce as cheaply as similar articles can be produced in other countries.

If Gladstone did not know this his ignorance was unpardonable, for the debates in Congress over the various tariff schedules invariably revolved around the question whether the article seeking protection was of such a nature that its production on a sufficient scale to meet the demands of the home market was assured. In the Congress following the appearance of Mr. Gladstone's article in the *North American Review* the duty was removed from sugar at the instance of protectionists, who had become convinced that it could or would not be produced on a sufficient scale to warrant making it the object of a protective duty. It was only after the conviction was reached as the result of experiments in offering bounties to beet sugar producers that there would be no difficulty about the United States, with a proper degree of encouragement, producing all the sugar it needed that the country consented to a restoration of a duty which, under other circumstances, would have been as obnoxious to the protectionist idea as the imposition of a tariff on tea or coffee, both of which go untaxed because no American believes that they can be profitably produced in the United States.\*

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\*A duty was imposed on tea as a war measure in 1898.

Later on additional evidence will be furnished to prove that Mr. Gladstone was short sighted and narrow minded when he assumed that protection would result in the infliction of permanent dearness upon a country of great resources; here the purpose is merely to exhibit as conclusively as possible that there was no diversion of capital from the agricultural industry in the United States during the period since protection has had full sway, but that it would have been a pecuniary gain to the country if such a diversion as he assumes did occur had really taken place. This demonstration will be by means of figures which show that the increase of production in the United States has never been paralleled in ancient or modern times, and that it has resulted in a disastrous overproduction which might have been averted had the policy of protection not halted in the years anterior to the Civil War. In other words, had manufacturing not been discouraged by the slave-holding oligarchy in the 40's and 50's, the non-agricultural population of the United States would have increased at such a rate that the products of our farms would have been easily absorbed by people living on our own soil and we should not have had a surplus to embarrass the farmer by reducing the prices of the commodities he has to sell.

Let us now glance at some of the achievements in that industry which Mr. Gladstone assumes was injured by a diversion of capital, and incidentally compare what has been accomplished in this country with what has been effected by Europeans. In 1840 the United States produced 2,100,000 tons of wheat; in 1895 the quantity had increased to 11,700,000 tons; of maize we raised 9,500,000 tons in 1840 and 53,800,000 in 1895. The yield of oats in 1840 was 3,800,000 tons, in 1895 it had reached 23,900,000 tons. In 1850 we had 34,200,000 acres devoted to grain; in 1895 the cultivating grain area was 149,950,000. In 1850 there were 6,100,000 acres under cotton; in 1895 there were 23,740,000. Our meadows increased from 11,050,000 acres in 1850 to

51,800,000 in 1895. The increase of our flocks and herds is equally great. We had 17,800,000 cattle, 21,700,000 sheep, 30,400,000 pigs and 4,900,000 horses in 1850, and in 1894 these vast numbers had expanded to 53,100,000 cattle, 45,000,000 sheep, 45,200,000 pigs and 18,400,000 horses.

A survey of these figures impels Mulhall, from whose work they are derived, to remark: "But for the great development of tillage and pastoral industry in the United States some European countries, especially England, would come short of grain and meat," and to this statement he adds that "at present the United States raises one-third of the food produced in the world," the comparative production stated in terms of tons being as follows :

	United States.	Europe.	Other countries.
Grain.. . . . .	89,400,000	141,500,000	23,300,000
Wheat..... . . . .	4,830,000	9,380,000	1,290,000

It is certainly impossible to infer from this showing that agriculture has been repressed in the United States. The development has been phenomenal, the production during the whole protective period being vastly in excess of the home requirements. According to Mulhall "about one-sixth of the agricultural products of the United States are exported, as shown by the customs returns, from which fact it may be asserted that 1,800,000 persons are exclusively occupied (in the United States) in producing food for exportation to Europe." He then furnishes the following table, which shows in an unmistakable manner that the agricultural production of the United States has more than kept pace with the growth of population and that the American farmer has constantly experienced the drawbacks resulting from overproduction :

	Million £ s				
	1840.	1860.	1880.	1886.	1893.
Exported . . . . .	19	53	143	101	128
Home use..... . . . .	161	367	556	674	685
Totals... . . . .	180	420	699	775	813



In the face of a development such as that exhibited by these figures it is almost grotesque to speak of a diversion of capital from agricultural pursuits. The truth of the matter is that the United States has handicapped itself by developing its agricultural resources too rapidly. If there were any doubts on this point they would be promptly dispelled by an attentive consideration of the recommendations of the trade journals that the production in the cotton growing region should be curtailed, or that the farmers engaged in this, that or the other branch of agriculture would be wise to diversify or change their crops. Observation of the fact that the constant expansion of agricultural operations has the effect of depressing prices might also lead to the conclusion that if there is un wisdom in this connection it is not of the kind mentioned by Mr. Gladstone, but something entirely different.

Agriculture in the United States has not been impeded; it has been overdone. It appears, however, that the economists of the Manchester school who profess to see in protection the cause for the overproduction of manufactured articles, and who regard such overproduction as a great evil, do not look upon agriculture from the same point of view. On the contrary, they extol as a blessing the cheapening of food which results from the excessive competition of farmers and calmly assume that the question whether the tiller of the soil is to be properly rewarded for his exertions is one scarcely worth paying attention to. Indeed, in England the interests of the agricultural producer have been entirely disregarded, and in the effort to intrench the manufacturing industry of the country British statesmen have proceeded to such extremes that critics, not unfriendly to the free trade theory, have questioned whether in their anxiety to maintain the supremacy attained by adventitious circumstances they are not imperiling the existence of the nation.

It is but recently that this phase of the economic question has received attention in Great Britain, and it is approached

with reluctance by the men who teach the youth of the country. The latter are still influenced by the apprehension that they may be convicted of economic heresy if they tell the truth. But the practical men at the head of the British trade journals do not hesitate to point out the difficulties created by the one-sided development of industry in the United Kingdom and say plainly that a condition of affairs exists which in certain contingencies may prove destructive to the national welfare. In an elaborate article discussing the sources of British food supplies, a leading London journal has pointed out some of the drawbacks resulting from an economic system which has obliged Great Britain to depend upon foreigners for 73.5 per cent. of the breadstuffs consumed in that country.\*

1. It imposes heavy taxes on the people of the United Kingdom for the maintenance of extra cruisers for the protection of cargoes.

2. It renders possible a coalition of the principal foreign states supplying us with wheat, who, by withholding their exports, could render even the largest fleet useless and dictate their terms to us after a short period of starvation in England, the supplies in stock being only sufficient to meet our wants for a few weeks.

3. It deprives the home manufacturer of a valuable market for his production close at hand.

4. It destroys the best recruiting ground and the districts best calculated to maintain the physique of our defensive forces.

5. It destroys a class of the population from which the best town folk has been largely drawn; it takes from the middle classes the source from which their servants were obtained; it practically abolishes the class of most value as emigrants to British colonies, who have now to be drawn from the continent.

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\*"The British Bread Basket," *British Trade Journal*, March, 1898.

These are formidable charges to bring against a system whose advocates are constantly proclaiming that protection results in impeding the natural growth of a country, and who, by implication, assume that open ports must necessarily prevent any industry being placed at a disadvantage because the completest freedom is permitted to all industries. It does not, however, require much penetration to discover that there are more modes of artific'ally stimulating the manufacturing industry of a country than those resorted to by protectionists. The critic quoted from above, points out the British method when he speaks of the heavy taxes imposed on the people of the United Kingdom for the maintenance of extra cruisers for the protection of cargoes of food stuffs in transit to Great Britain. He might have fairly included in his arraignment the cost of maintaining the major part of the British fleet which during the past fifty years, ever since the acceptance of the peace producing system of Cobden, had been sailing around the world compelling people at the cannon's mouth to freely (?) trade with the merchants of England.

It is amazing that writers living in a country whose economic system has brought about the condition above described should have the temerity to intimate that the protective system of the United States has acted injuriously to the agricultural interest, but it is a characteristic of the followers of the Manchester school that they pursue their theories to their logical conclusions and never take the trouble to ask themselves whether, when the result in practice fails to harmonize with the one which their theory calls for, they may not have been arguing from false premises. Having assumed that artificial aid rendered to a manufacturing industry in a new country necessarily implies the diversion of capital from agriculture, they insist that the results of protection must be disastrous to the agricultural industry. The idea that the capital employed in the aided industry may be drawn from some other source than the country which

resorts to the artificial method never occurs to them; nor do the most acute among the school of thinkers referred to realize that in a country of vast resources the creation of capital is a rapid process, and that in comparatively young communities there is more frequently a plethora than a scarcity of the means to promote production. Or, to put it in another way, the development of agriculture in a new country is apt to proceed more rapidly than the capacity of people to effectively consume its products.

While there is absolutely no proof to support the contention that protection represses agriculture, the fact that Cobdenism has had a tendency to impede the development of British agriculture is undeniable. According to the best available statistics there were 21,930,000 acres under crops in 1846 in the United Kingdom against 20,050,000 in 1895. In the former year the production of British grain was considerably greater than at present, there being 11,600,000 acres cultivated in cereals in 1846 as against 8,870,000 in 1895. During the same period there was a slight increase in the acreage devoted to green crops, from 10,330,000 to 11,180,000 acres, and of pasturage from 22,940,000 to 27,830,000 acres, but this advance is insignificant when the enormous expansion of population during the interval is considered. In the opening year of the free trade era Great Britain was no longer self-dependent. But after that date she was obliged to increase her imports of food stuffs enormously. Her annual takings of foreign breadstuffs amounted in 1895 to £52,732,697; of meat products, £24,750,000; of butter and margarine, £17,842,508; of live animals, £10,438,000; cheese, £4,900,000; eggs, £4,184,567.

The Cobdenite contention that it is an economic gain to buy the articles procured by the vast expenditures described above in the cheapest market would command more respect if there were no other considerations involved than those which they obtrusively put in the foreground; but if there is any foundation for the fears betrayed in the above recapit-

ulation of the drawbacks of depending upon foreigners for food supplies it will be admitted that the accomplishment of Cobdenism somewhat resembles that of the monkey whose greediness would not permit him to release a part of the fruit he had grabbed so that he might extricate his paw from the narrow necked bottle and escape his pursuer. If the isolation of Great Britain continues she will eventually find that she has thrust her hand into a very narrow necked bottle indeed, one that may imprison the member so tightly that she will be unable to withdraw it to fight for existence.

As may be inferred from various sources, the best English thought no longer views with equanimity the conversion of the kingdom into a vast workshop. There is no longer a disposition to exult over the unhealthy expansion of manufacturing. It is now seen that the existence of nearly ten millions of workers in factories, who find their means of subsistence dependent upon conditions utterly beyond their control, is a very precarious one. Not only are they menaced by the possibility of having their food supply cut off by outside interference, but the increasing ability of peoples hitherto dependent upon the British for their supplies of manufactured articles threatens to deprive British men and women of the opportunity to earn a livelihood no matter how willing they may be to work.

The results of national policies are far reaching and their effects cannot be fully judged until after the lapse of long periods. At the height of Roman grandeur there was an economic canker worm at work whose appearance was hardly suspected by the most philosophic writers of the time. The agriculture of Italy was steadily sapped by the competition of foreigners, but the outward evidences of prosperity were such that few suspected the extent of the evil. There was grumbling and discontent, but the rich were growing richer and all seemed serene. Doubtless the condition of the proletariat was a source of solicitude, but the trend of economic thought was similar to that met with in England

today. Cheap food was the desideratum. It was provided for the people at the cost of the native producer. A vast pauper class was maintained, not as great as that of the England of today, but sufficiently large to affect the imagination of British historians to such an extent as to induce them to assign the destruction of the Roman Empire to its existence. The flocking to the capital city of ancient Rome of the farming classes, driven from their employment by one cause and another, has been regarded as a portentous evil by all thoughtful writers, but the modern Cobdenite sees nothing to deplore in the reduction of 3,401,000 persons employed in British agriculture in 1841 to 2,527,000 in 1891. The glamour of the vast accumulations of British wealth is over him, and he fancies that it cannot crumble away. The ancient Romans also regarded their condition with complacency. Pliny, in describing his native country, said :

“Italy is the land which is at once the foster child and the parent of all lands; chosen by the providence of the gods to render even heaven itself more glorious, to unite the scattered empires of the earth, to bestow a polish upon men’s manners, to unite the descendent and uncouth dialects of so many different nations by the powerful ties of a common language, to confer the enjoyments of discourse and civilization upon mankind, to become, in short, the mother country of all nations of the earth.”\*

Just such a destiny had the Cobdenites marked out for Great Britain when they planned to make it the workshop of the world. The ambition of the ancient and modern empires run in parallel grooves, and the causes that wrecked the one will contribute to the downfall of the other, and not the least of these is the subordination of agriculture to other pursuits. When Pliny delivered himself of the vainglorious utterance above quoted Rome was rotten at the core. Her

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\*Pliny, *Natural History*, Book III, Chap. VI.

heart was being slowly eaten out by the destruction of the farming class, and when cheap imports and other causes had utterly destroyed the yeomanry of Italy the fair rind collapsed and exposed the hollow and rotten interior.

## CHAPTER XI.

### INDUSTRIAL DEVELOPMENT.

#### UNSUCCESSFUL EFFORTS OF FREE TRADERS TO PROMOTE EXOTIC INDUSTRIES.

Pursuits which Britons have been forced to abandon—The manufacture of cotton textiles constantly menaced—Effects of the American civil war on the English cotton industry—The British navy maintained so that exotic industries may be pursued in Great Britain—Free trade an obstacle to a people accurately gauging their true powers—England's list of decaying industries—Beet sugar industry—Establishment of iron and steel plants in the United States—The erroneous assumption that the dearness due to protection is permanent—The growth of British imports and what they signify—Foreign manufactured articles supplanting those of British manufacturers in the home market of Great Britain—The decline of British exports—The interests of the strictly consuming classes and the producer not identical—Debtor countries will pay English creditors with products of their factories—The tendency of production to outstrip the ability to effectively consume.

The preceding chapter was largely devoted to the discussion of the Cobdenite fallacy that when artificial aid is extended to assist the creation of an industry in a new country it necessarily follows that capital has been diverted from some employment in which it might have been more profitably used. It was shown that the assumption was erroneous, evidence being produced to establish the fact that there is a plethora of capital in the world and that the surplus of one country finds its way to other countries where there is a deficiency, thus overcoming the drawback which free traders assume must ensue whenever it is found necessary



to protect an industry from the encroachment of established rivals. In addition, overwhelming testimony was presented to prove that in one protective country at least the attempt to artificially establish manufactories had been successfully accomplished without impeding the growth of the industry which the followers of the Manchester school affirmed was the one which could most profitably be pursued because it was the one which did not require government assistance to prevent foreign encroachments.

In the course of this demonstration a passage was quoted from a review article written by the Rt. Hon. W. E. Gladstone, in which he broadly implied that all protected industries were exotic in character. In this article he used the well-worn illustration of the attempt to grow pineapples under glass in competition with the fruit naturally grown in the tropics and asserted, almost without reservation, that the nominal dearness which marks the early stage of an effort to promote the production of an article is something to which the consumers of protectionist countries must be permanently subject. That Mr. Gladstone and other free traders held such a view is due to the error already dwelt upon of assuming that some countries are naturally fitted to be producers of raw materials and food stuffs, while others are endowed by Providence with the ability to fashion the rude products of the earth into finished articles. Their tenacious adherence to this view blinds them to the fact that the ability of their countrymen was acquired, and prevents their seeing that other peoples, with a proper degree of encouragement and sufficient protection, may also attain the skill requisite to take a position in manufacturing.

But the entertainment of the erroneous idea that Providence had specially fitted the British to be the manufacturers for the rest of the world is responsible for a still more serious blunder than that of underestimating the capabilities of other peoples; it has had the evil effect also of inducing the British to overestimate their own capabilities and has led

them to engage in pursuits for which they were unfitted, as the sequel has already shown. The list of once flourishing but now decadent British industries is by no means a short one, as will be seen later on, but it is not nearly so portentous as the fact that the branch of manufacturing in which Britons are still pre-eminent is subject to vicissitudes which may at any time impose want and misery upon the hundreds of thousands who derive a living from its pursuit. The conditions surrounding this particular industry in Great Britain are such it is amazing that economists, real or alleged, should assume that its domestication in England was natural.

It will be a source of wonder for future generations that a country situated as Great Britain is should have aspired to produce textile fabrics for the people of the whole world, but it will not seem half so curious as the failure of the British economists to recognize that while condemning the attempts of other peoples to develop their own resources as blundering efforts to defy the laws of nature, the system they extolled was responsible for the promotion in the United Kingdom of exotic industries which could not be permanently maintained in competition with other peoples.

That the cotton manufacturing industry as pursued in Great Britain is a true exotic will be recognized by any one taking into consideration the fact that it is absolutely dependent upon remote countries for its supplies of raw materials. The superiority enjoyed by the British for a time in this industry was due to the temporary advantage of having a greater fund of experience and larger amounts of capital than was possessed by rivals with abundant supplies of raw material at their doors. But these strictly artificial advantages did not serve to avert a calamity which brought starvation and ruin in its train. During the Civil War in the United States, which occurred while the superiority of the English as cotton manufacturers was at its zenith, the operatives employed in the mills of Manchester were re-

duced to pauperism and became a public charge because raw materials could not be obtained for them to fashion into finished articles.

An English writer, discussing the effects of the cotton famine caused by the blockade of the ports of the Southern Confederacy by the United States, tells us that: "The disadvantage of a concentrated source of supply over sea in any important raw material or essential food was never more terribly brought home to the British than by the Manchester cotton famine during the American Civil War. By 1863 the weekly loss of wages was calculated at £168,000, pauperism in the cotton districts increased by 140 per cent., and some 500,000 persons were in receipt of regular relief. No less a sum than £4,000,000 was spent in simply providing for working classes, and nearly £3,000,000 was subscribed by private charity. At the time the United Kingdom was favored by exceptionally good harvests and the linen and woolen trades were in a flourishing condition. It was, therefore, simply the cutting off of a single commodity which produced all the distress."\*

It is not necessary to follow the argument of the writer or to dwell on the difficulties which he asserts will confront the British people because of their dependence upon other countries for supplies of food stuff and raw materials in case they become involved with another power. His bare recital shows conclusively that the undue expansion of the cotton textile industry in England is an extreme violation of an economic law which the Cobdenites say cannot be ignored with impunity. When the circumstances are considered it is surprising that statesmen should devote their energies to the creation of a condition which must be a constant menace to the national welfare. In overcrowding the United Kingdom with a population so largely dependent

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\*Bellairs, *Manchester Cotton Famine and England's Food Supply, in Hongkong, China, Mail.*

upon the outside world for subsistence the British are constantly inviting disasters of the kind described, perhaps still worse ones.

Economists of the Manchester school may shut their eyes to facts like these, but by doing so and by applauding methods which lead to such results they stultify themselves and virtually place the stamp of approval upon attempts to create exotic industries. When they assent to heavy expenditures for an immense navy, the principal object of whose maintenance is the keeping open of British ports so that the artificial industries of the United Kingdom may not be choked by foreign interference, they are as truly protectionists as those who advocate high duties for the purpose of encouraging home industries. But they are not so rational as the latter, who aim, by making their country self-dependent, to guard against disasters of the kind to which a nation attempting to maintain industries without adequate supplies of raw materials must always be subject.

The cotton industry of Great Britain is not the only one subject to the drawbacks here outlined. It may be sweepingly asserted that any country which forces the growth of a population greater than its agricultural resources can maintain is adopting a perilous course which can only be safely pursued by resorting to aggression, and, under such circumstances, only for a limited period. English writers proclaim that Britain is carrying the torch of civilization throughout the world and endeavor to convey the impression that the object of the enormous territorial expansion of the British Empire is to bring law and enlightenment to barbarian peoples, but no one is deluded by such professions. The most sordid motives lie at the bottom of every external movement of Great Britain and every benefit conferred by that country upon another is paid for in pounds, shillings and pence or their equivalents.

"It matters not," remarked a recent English review writer, to discuss the academic question of whether the negro is

happier dancing stark naked under the moon or eating pumpkin under the sun, as Carlyle described him. We want him clothed because our looms will clothe him; we want him housed and ornamented because our Sheffield firms will supply the wherewithal. We want his fields to double their produce, and that produce to be of marketable quality, because it is needed by our manufacturers here in England. We deal today with the commercial side of the question; the philanthropic dividends we will put aside for the moment. They are concomitants.\* In another place the same writer flatly asserts that British philanthropy is generally mixed with rum and gin and gives an account of an African bishop who complained that there was nothing in the factories of his neighborhood to exchange for the products of the natives but the spirituous liquors mentioned.

Surely a commerce which can only be maintained by resorting to such extremities can hardly be termed natural, nor does it lie in the mouths of those who defend the abnormalities to which reference has been made to criticise the methods of protectionists. A just comparison of the two systems will clearly establish that the results of Cobdenism have all been in the direction of a distortion of nature, while the protective policy, whenever it has been intelligently pursued, has always tended to a development along natural lines. And this explains why protection has made such headway. Had it been, as Mr. Gladstone and other free traders have assumed, the policy of protectionists to stimulate exotic industries their efforts must inevitably have failed.

It has been asserted by eminent free trade writers that the great virtue of the system advocated by them consists in its tendency to safeguard a people against the blunder of engaging in unprofitable industry. Professor Rogers says: "Our contention is that our free trade policy enables us to

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\*Lugard, *New British Markets, Nineteenth Century*, September, 1895.

arrive at the most accurate estimate of our powers. We do not plant olive or orange groves or vineyards in our climate, for we know that they will not thrive or will not live. No doubt they might be grown in greenhouses. But we are not so foolish as to put such a duty on the foreign produce of olives, oranges and grapes as to encourage native industry in growing them under these adverse and costly conditions, as a consistent protectionist and fair trader would have to do. For it is only a matter of degree between the most plausible protection and the most grotesque illustration of the practice.”\*

It is not necessary to again point out that the Cobdenite contention that protection aims at the establishment of exotic industries is in the nature of a setting up of “a straw man,” for nothing has been more conclusively demonstrated by practice than the fact that the very opposite result is the one which advocates of a protective tariff aim at achieving. No sane protectionist in the United States favors the imposition of a protective tariff unless the encouragement thus extended promises to promote a profitable industry. But it may not be amiss to show that Professor Rogers was in error when he asserted that “the free trade policy of England had enabled the British to arrive at the most accurate estimate of their own powers.”

To substantiate an assertion of this kind it would be necessary to show that the course of British industry has been so well determined that its pursuit is unattended by any other drawbacks than those which ordinarily wait upon the conduct of established occupations. To claim that a people have accurately measured their own powers while constantly losing advantages once gained in industrial fields, and who are under an overpowering dread of the possible outcome of competition with rival nations, is absurd. If the powers of

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\*Rogers, *Industrial and Commercial History of England*, p. 408.

Great Britain had been accurately determined by free trade that country would not have a long record of decayed or decaying industries.

According to Mulhall the silk industry was in a flourishing condition in 1857, the consumption of raw material in that year reaching 10,750,000 pounds and the value of the manufactured fabrics being £21,500,000. Forty-four years earlier, in 1823, the consumption of raw silk was only 2,470,000 pounds and the value of the finished product £6,200,000. The interval between 1823 and 1857 was marked by a steady advance in the manufacture of silk textiles, and no British industry appeared to have a more promising outlook. The economic literature of the early '50's is filled with references to the prosperity of the manufacturers of British silk, but in 1895 the consumption of raw silk had fallen to 3,900,000 pounds and the value of the textiles produced was £200,000 less than in 1823.

In 1850 the linen industry of Great Britain consumed 21,000 tons of native and 89,000 tons of imported flax. In 1895 the quantity of native flax used in the linen factories of the United Kingdom was 12,000 tons and 100,000 tons were imported. The increased consumption of the fiber in forty-five years was only 2,000 tons. Commenting on these facts, Mulhall says: "Of late years the linen trade has been declining, especially as regards home consumption, which averaged eight yards per inhabitant in 1840 and is now less than five yards." The decline here noted is not due to the use of linen falling into disfavor, for the production of other countries, notably Germany, has greatly increased.

At the beginning of the free trade era in Great Britain there was apparently no more firmly established industry than that of refining raw sugar. Enormous plants erected for this purpose were conspicuous features of Greenwich and other ports. The industry was exceedingly profitable and the consensus of free trade opinion up to a certain period was that it was firmly entrenched. The person who would

have ventured to predict the decadence of sugar refining in the United Kingdom in 1860 would have been deemed mad. Yet a few years later a royal commission was appointed to inquire into the causes of the extinction of the cane sugar industries in the British colonies and incidentally to ascertain whether a remedy could be devised which would prevent the total extirpation of the refineries of the United Kingdom. Concurrently, a strong sentiment was created against the policy of foreign countries promoting exports of beet sugar by the payment of bounties, and although the effect was to greatly cheapen the sugar used by the British consumer diplomatic efforts were made by Victoria's government to induce the beet sugar countries to abandon the payment of bounties. The most recent development in this interesting contradiction of the principles of Cobdenism was a proposal made by Joseph Chamberlain to indemnify the sugar producers in the British colonies against loss, the object being to overcome the obvious advantages enjoyed by the producers of beet sugar.

These illustrations clearly show that Professor Rogers was seriously in error when he assumed that the system he advocates has assisted the British to accurately determine their powers. On the contrary, by creating the fallacious opinion that the markets of the world are illimitable, and that Providence intended that the British should be the principal if not the only purveyors for them, Britons have been tempted into all sorts of industrial enterprises, in most of which they cannot hope to maintain a permanent footing. They have been encouraged to do this by the teachings of extremists who have, like Rogers, always assumed that temporary dearness in a new country trying to promote manufactures meant permanent dearness. They have accepted without question the statement of Mill that a duty on an article which may be more cheaply imported from abroad than it can be manufactured for at home must result in



useless labor, and that the extra capital expended in such production is wasted.\*

If nations survived only for a day economy of the kind advocated by Cobden might be deemed rational, but as the possibility of their enduring for centuries is well established statesmen may reasonably take measures for the future of the countries whose destinies they control even at the risk of temporary inconvenience. If the creation of an iron and steel industry is regarded as practicable there is as much warrant for calling it into existence by artificial means as there is for a man sinking a well in an accessible place rather than subjecting his household to the necessity of going a long distance to a brook where the water flows freely and may be had for the taking. It may be the natural method to procure water in the simplest manner and primitive peoples still do so, but those recognizing the importance of economizing energy almost instinctively resort to artificial methods of securing supplies of water. That they profit by so doing is self-evident, or the practice would not be continued and refined as the years roll on.

The artful concealment of the true purposes of protectionists is responsible for many blunders into which practical Englishmen have fallen. The persistency with which Cobdenites have asserted that high tariffs cause dearness has obscured the aim of protectionists, whose object is to promote ultimate and permanent cheapness. It has also tended to create the impression that the existence of a well established industry determines that it came into being naturally. False teachings of this kind have prevented otherwise acute Britons seeing that most of their manufactories are purely artificial creations, and that the industrial success of the British is more largely due to their promptitude in availing themselves of the benefits of modern discoveries than to natural causes or superior resources.

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\*Mill, Principles of Political Economy, Vol. II, p. 449.

A concrete illustration of the error underlying the assumption that present dearness means permanent dearness is furnished by the growth of the iron and steel industry in the United States. According to Mr. Mill, whose views appear to be shared by all free traders, the Americans made an economic blunder in imposing a high duty upon imports of these commodities. In the passage above quoted and in many others the idea is distinctly conveyed that "all customs duties which operate as an encouragement to the home production of the taxed article are an eminently wasteful mode of raising a revenue," the reason assigned for this wastefulness being that "an extra quantity of labor and capital is expended without any extra result." This, Mr. Mill says, is equivalent to paying people for laboriously doing nothing.

Such an opinion could only be based on a supposition that the hindrances to cheapness which manifest themselves in an infant industry are incapable of being removed, and that the advantages enjoyed by others in a well established industry cannot be acquired by a resort to artificial methods. Reference to the views expressed by Gladstone, quoted in another part of this chapter, and to those of Rogers, clearly indicate that they believed that industrial conditions were immutably fixed and that all efforts of new countries to rival old ones by a resort to tariffs must inevitably prove fruitless, because they result in making the conditions of life more difficult by depriving people of the opportunity to buy cheaply. Rogers was so firmly convinced that such a result must ensue from protection that in one of his lectures, after telling the listening students that the tariffs of foreign nations had a tendency to hinder British manufacture and trade, he assured them that such hindrance could never be serious, because in protective countries "the law allows the subject of it (protection) to buy one pair of boots where he might buy two pairs, and stints him in many ways."\*

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\*Rogers, *Industrial and Commercial History of England*, p. 410.

The illustration employed was a very unhappy one, and shows the unpractical character of this celebrated author. About the time he made the remarks quoted there was a violent upheaval in the boot and shoe trade in England, the British workers complaining that the imported American product was driving their wares out of the home market. The papers of the English capital contained numerous allusions to the trouble, and no rational person could have failed, had he followed the discussion intelligently, to note that the protected boot and shoemakers of America were for some reason or other producing more cheaply than their British rivals. What these reasons were will be made clear in another place; here it is only intended to show the persistence of the free trade belief that protection means absolute and permanent dearness, and that it seems to survive in spite of the practical demonstration that boots and shoes and other articles whose cost of production was once much higher than in England can now be made more cheaply in the United States than in Great Britain, for, as we have shown, Rogers, in the face of the fact that Americans were the best shod people on the globe at the time he spoke, did not hesitate to intimate that the people of this country lacked shoes.

In the same way it is still urged that the effect of protection is to make the iron and steel consumed in protective countries dearer than it would have been under free trade conditions, although the market reports conclusively establish the fact that those commodities are cheaper in the United States at present than in Great Britain. An English financial publication, in discussing the future of British trade, summed up the situation so far as this branch of industry is concerned when it said: "There is quite a large probability that we may have to fall back upon America at no distant future time to make good our deficient supply of pig iron—on America, once our largest buyer of both pig and finished materials."\*

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\*London Statist, March 9, 1898.

Obviously, if Great Britain is obliged to resort to this country for supplies of pig iron it must be because we are able to produce it more cheaply than it is produced elsewhere. Thus, the whole Cobdenite contention that protection means permanent dearth is effectually disposed of. No wonder the editor of the journal quoted from delivered himself of the observation which concludes his sentence. Educated to believe that the results of protection were to hamper industry and to keep the countries resorting to it in a condition which would not permit them to compete with nations practicing free trade, he must naturally have felt surprised when he contemplated the evidence furnished by tables of prices and imports, which proved conclusively that the United States was able to undersell Great Britain in her own iron market.

The facts here related, and numerous others which might be cited to show that the British home market is being steadily encroached upon by manufacturers operating in protective countries, such as the United States and Germany, raise the question whether an industrial invasion of this kind amounts to a demonstration that the British in all those lines in which they now find themselves unable to compete with foreigners had made the blunder of attempting to domesticate exotic industries.

The confident assertion of Rogers that the practice of free trade enables a people to determine with exactness the extent of their industrial powers indicates the presence of a belief in his mind at the time he wrote that the then flourishing industries of Great Britain were so firmly established that they could not be successfully competed with by foreigners, least of all by such as resorted to protective tariffs, which he assumed must permanently increase the cost of production. His illustrations were designed to show this, and his argument, if followed to its logical conclusion, implied that Great Britain had only won success when she pursued those industries which could be maintained in permanent profitable rivalry with those of other nations. All indus-

tries incapable of meeting competition he placed in the category of exotics, and they were, therefore, to be shunned.

If Professor Rogers had foreseen the consequences which must ensue to the British people from adhering to the idea that industries requiring protection do not deserve to exist he would certainly have modified his views. No matter how much prosperity may be figured out for a nation by the *a priori* method, it is, after all, the practical result which must determine whether a system has been successful. The Cobdenites may succeed in deceiving themselves into believing that Great Britain is in a flourishing condition, because she is able and does constantly buy an enormously greater quantity of products from foreigners than she gives in return, but sensible men recognize that the growth of imports and the relative decline of exports is a menace to the future prosperity of the United Kingdom. When friendly critics thus diagnose the industrial condition of Great Britain the people of that country may well take warning: "For a time," says a writer in an English review, "England, no doubt, prospered pecuniarily and great fortunes were made; but now, with imports almost double the exports, with the imports steadily increasing and the exports steadily diminishing, the nation is not even gaining in her manufactures, but is losing to other nations every day."\*

The same writer says: "The present temporary prosperity in England, which is not based upon a solid or permanent foundation, unfortunately tends still more to create the belief in the public mind that the state of affairs in England is satisfactory." Reference is here made to the delusion that the constant draft made upon foreigners for their products is a sign of present national prosperity, whereas it merely represents the returns upon the profitable results of a previous era of prosperity. Sir Howard Vincent, in a letter to

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\*Denison, The Present Situation of England, Nineteenth Century, December, 1897.

the *London Times* published toward the close of the year 1896, indicated the unsatisfactory character of the Cobdenite claim that excessive imports were an evidence of prosperity by pointing out that £80,504,991 worth of foreign manufactures were imported into the United Kingdom in a single year and that these importations represented at least £40,000,000 paid to foreign workers which might have been earned by Britons.

That the money paid out for this vast quantity of manufactured articles imported into Great Britain represents "in part the interest upon millions sent to foreign countries to enable them to compete with the British" is undoubtedly true, but it is questionable whether the indirect suggestion that Sir Howard makes, that a period should be put to the folly of depriving British workingmen of an opportunity to earn a living by making the importation of manufactured articles into the United Kingdom more difficult, can be acted upon. A consideration of all the circumstances shows that Great Britain has entered an industrial *cul de sac*, from which retreat is impossible except by the method indicated by Mallock—the drastic one of depopulation.\* This frank controversialist does not hesitate to say that if the conditions arise which prevent the maintenance of a greater population than 15,000,000 in the British Isles the surplus must betake themselves to other countries or perish from starvation. It is a forbidding future to contemplate, but the evidence is accumulating that it is a condition the British must face, and the strongest link in the chain is the growth of imports of manufactured articles.

Consider what this expansion means. Primarily, it amounts to a refutation of the Cobdenite assumption that Providence designed the United Kingdom to be the workshop of the world, for the growing list of articles manufactured in foreign countries which now find a ready sale in

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\*Mallock, *Altruism in Economics*, Forum, August, 1896.

Great Britain embraces many things which the British once imagined they were specially fitted to produce. The fact that adherents of the Manchester school cheerfully proclaim that it is wise to buy manufactured articles from foreigners if they can produce them more cheaply than the British may serve for a while to disguise the actual condition, but ultimately the sound sense of the nation will pierce the deception which surrounds the doctrine that the consumer is the chief person to consider and discover the fallacy underlying the free trade assumption that the interests of producing and non-producing consumers of a country are identical. As the tendency to increase imports grows the British people will more readily be able to perceive that the excess of imports over exports represents the fruits of past prosperity in which the present and coming generations of workers can and will have but little share.

The growth of imports of manufactured articles into the United Kingdom will also dissipate the optimistic idea inculcated by the Cobdenites that masses of trained workers can easily adapt themselves to changed conditions. There is abundant proof furnished by the experience already acquired that even when the conditions are propitious the changes forced upon a people by improved processes of manufacture are effected with great difficulty. If this is the case when a nation's progress in trade and manufacturing is both relatively and absolutely great what may we not expect when the conditions are reversed?

It has recently been pointed out by a competent British authority that the United Kingdom, in order to maintain, not its relative position, but merely its footing in the commerce of the world, must, "under the present conditions of population and manufacture," increase its exports by at least £2,600,000 annually.\* As already shown, British exports exhibit no such increase; on the contrary, they

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\*Kershaw, *Future of British Trade*, Fortnightly, November, 1897.

show an absolute decline, although of late years they have embraced large quantities of machinery shipped to foreign countries to be used in making goods to be sold in direct rivalry with British manufacturers or to supply peoples formerly dependent upon Great Britain for manufactured articles. And, as another writer has significantly pointed out, a very large proportion of British exports of the present day is made up of coal sent to other countries where they are used to provide the power to move the machinery which manufactures goods in competition with the manufacturing plants in the United Kingdom. The fact must also be noted that no inconsiderable part of the British value of exported articles is represented by ships, many of which are employed by the nations buying them in competition with the carriers of Great Britain.

No writer taking into consideration all the facts here presented can avoid drawing the inference that at some future day Great Britain will have to pay a heavy penalty for the unnatural expansion which her economists have endeavored to convince themselves has been entirely unartificial. The tremendous investments made by the British in foreign countries during the period when their state of preparedness gave them an overwhelming advantage over rivals will for a while inure to the benefit of the non-producing income class of Great Britain because the obligations of the debtor peoples of manufacturing countries will be repaid by shipments of manufactured articles which must of necessity be produced more cheaply in those lands with great resources of raw materials and inexhaustible supplies of food than they can be in an admittedly dependent country such as the United Kingdom.

But while the income classes are enjoying the cheaply manufactured articles of foreign countries the producers of the United Kingdom must suffer. Many of their present avenues of employment will be closed and the population



will gradually dwindle away. The "cheap loaf" will avail nothing because it will be relatively dear.

The cheapening due to the development of agriculture has not been wholly enjoyed by the workers in English factories; they have experienced some of the advantages which flow from accessibility to supplies of cheap food products and raw materials, but the greatest benefits by far have been, and must in the future be, experienced by the people of the countries where the workers in factory and field have been brought into close proximity. As manufacturing develops in the United States the demand for the products of American farms will increase until ultimately we shall consume the whole of the domestic supply. We shall be able to do this because we can afford to pay more for food and raw material than peoples living at a great distance from the source of supply, and when we do so we shall perforce be compelled to pay our debts with our cheapest products, which, under the changed circumstances, must be manufactured articles.

The optimistic free trader has assumed that such a condition of affairs could never arise. He has convinced himself that the markets of the world are illimitable and that some nations would always remain in a contented state of dependence upon more energetic and better equipped peoples. But such conclusions are vitiated by present experience, which shows that there is a constant struggle going on between the countries with established manufacturing industries for the comparatively insignificant trade of the peoples who now occupy a lower plane of civilization than that which distinguishes the advanced western industrial nations. It is impossible that the outlet which the needs of unprogressive peoples supply will be greatly increased in the near future. The consumptive ability of this class increases with incredible slowness and their demands are always for those goods which can be provided in great abundance by a large

number of competitors, requiring, as they do, but a very low degree of skill in their production.

There is another fact which those who have contended that the world's markets are illimitable have not sufficiently considered, namely, the enormous improvements in the art of manufacturing which have seemingly outstripped the power to effectively consume. It is possible that at some future day better modes of distribution may relieve the situation produced by this tendency, but the immediate effect is overproduction. There is no doubt whatever in the minds of competent observers that Great Britain could without difficulty increase her plants for the manufacture of textile fabrics sufficiently to supply all the markets of the world with cotton cloth on the basis of present requirements. The same may be said of Germany and the United States, and if the proper incentive is furnished the near future will exhibit other countries in an equally forward condition. This being the case, it is inevitable that the struggle for the trade of "barbarians" must be severe, and it is not unlikely that it will be intensified by many at present dependent Eastern peoples imitating the methods of Western industrial nations. No doubt such efforts would be accompanied by a greatly enlarged consumption of the peoples adopting the habits of modern industrial nations, but their ability to provide for their own needs is likely to keep pace with such development, and it is not at all probable that any change in the present habits of Orientals would favorably affect the fortunes of countries illy supplied with raw materials and food products.

In the industrial readjustment that is now taking place the tendency to eliminate the waste of energy and fuel involved in the unnecessary transportation to and fro of raw materials, food supplies and finished articles will be constantly accelerated. One of the effects of this elimination will be the relative diminution of foreign exchanges. Foreign trade, which has increased hitherto in a greater ratio

than population, is likely in the near future to hardly keep pace with the growth of nations. The propensity of peoples to produce all they can at home will grow stronger as the fallacy of the idea that one nation is better fitted than another for mechanical pursuits is more clearly recognized.

That this perception will one day become general there can be no doubt. There is a rapidly accumulating body of information tending to show that there is a flaw in the commonly accepted economic theory that some people are naturally better fitted for manufacturing purposes than others, and it is now seen that the greater efficiency displayed by certain peoples is entirely due to acquired abilities and not at all to superior natural endowments. Further experience will certainly confirm the unsoundness of the opinion that a nation can securely depend upon the superior skill of its artisans to maintain its commercial position, and it will also demonstrate, as people all over the globe acquire capabilities which have hitherto been regarded as impossible of attainment by themselves or those who had hoped to see them remain in a state of perpetual dependence, that the really exotic industries of the world are those which have been created and are perpetuated in countries where manufacturing can only be carried on by incurring the waste of unnecessarily moving raw materials and food supplies from points where they might be effectually and economically utilized.

## CHAPTER XII.

### LABOR EFFICIENCY.

#### INDUSTRIAL CAPABILITY AN ACQUIRED, NOT A NATURAL, FACULTY.

The argument that some nations are naturally more capable than others—Mill's tribute to American labor—Political boundaries do not determine the skill of a people—A transplanted Irishman becomes a capable worker in the United States—Capacity of uncivilized peoples to acquire manufacturing ability—The part played by specialization in promoting labor efficiency—The habit of dependence fatal to advancement—The woes of the early Virginians brought about by devotion to the most profitable industry—Illustrations derived from ancient history—The fall of ancient civilization the result of industrial antagonisms—What Greece borrowed from the civilizations of an earlier period—Division of labor in Ancient Rome—Manufacturing generally practiced throughout the Roman Empire—The dissemination of industrial knowledge by Greeks and Romans—Rapidity with which Greek colonists established industries in their new homes—Gibbon's mistaken estimate of Russian capacity—Statistics showing that foreigners form the bulk of the operatives in American cotton factories.

Very early in the free trade discussion it was perceived by some of the ablest of the advocates of the theory that Providence had destined Great Britain to be the workshop of the world that an answer would have to be made to those who argued that an economic waste resulted from the unnecessary movement of raw and finished articles. Accordingly the efficiency of labor idea was advanced and the claim was boldly made that British workingmen were naturally more skillful than those of other countries, and that therefore it would be true economy to entrust to them the

lucrative business of converting raw products into finished articles.

Curiously enough this theory, which in its inception was designed to fortify the British contention that the world would profit by availing itself of the natural superiority of the manufacturing classes of Great Britain, is now made to do duty in explaining away the damaging fact that in many lines of industry Americans, in spite of the high protective tariff which it was confidently asserted would prevent any such result, are enabled to produce more cheaply than the British. Whenever it is shown that the United States can manufacture an article more cheaply than it can be manufactured in England the free traders hasten to explain that it is due to the greater efficiency of American labor.

That the people of a country may become more efficient as producers of this, that or the other article is doubtless true, but that such efficiency is, as implied, due to superior natural ability there is no reason to believe. It would perhaps be a mistake to assert that all peoples who have shown the capacity to reach the civilized stage of existence are equally capable of developing their industrial qualities to the highest point, but there can be no doubt that a large part of those now considered incapable, if the artificial obstacles to their advancement were removed, could attain a position, by the exercise of proper efforts, which would make them formidable rivals of those who now enjoy supremacy in the manufacturing field.

In order to thoroughly comprehend the nature of the misconceptions underlying the theory of the efficiency of labor it will be well to examine some of the earlier opinions of the Cobdenites and to show how closely they resembled those of the ancients, who also appear to have been convinced that a political boundary in some inscrutable manner made those living within it more skillful and apt than those who had the misfortune to be born on the other side of the border. It is noteworthy that those who accepted this

idea in antiquity and those who have attempted in the nineteenth century to convert the term "efficiency of labor" into an economic formula were alike unmindful of the fact that a national boundary does not establish that all those who live within it are of one race. When Pliny or Athenæus many centuries ago spoke of the skill of the inhabitants of a particular country they made no distinction between the various races subject to the sovereign under whom they lived. The products of Egypt were attributed to Egyptian skill, although they may have been due to the cunning of the large infusion of foreigners who made that fertile land their home. In the same way Mr. Mill credits to British skill all the productions of Great Britain, and similarly to American skill any superiority displayed by the workers who make their home in the United States.

In his chapter on "Profits" Mill said: "Labor, though cheap, may be inefficient. In no European country are wages so low as they are (or, at least, were) in Ireland, the remuneration of an agricultural laborer in the west of Ireland not being more than half the wages of even the lowest paid Englishman, the Dorsetshire laborer. But if from inferior skill and industry two days' labor of an Irishman accomplished no more work than an English laborer performed in one, the Irishman's labor cost as much as the Englishman's though it brought in so much less to himself." In the following paragraph he says, contrasting the condition of the wage earner in a country with an abundance of land and his state where the land is overpeopled: "The opposite case is exemplified in the United States of America. The laborer there enjoys a greater abundance of comforts than in any other country of the world, except some of the newest colonies; but owing to the cheap price at which these comforts can be obtained (combined with the great efficiency of labor) the cost of labor to the capitalist is considerably lower than in Europe."\*

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\*Mill, Principles of Political Economy, Book II, Chap. XV.

The complicated discussion in which these references to efficiency are imbedded may divert the attention of the general reader from the fact that Mill undoubtedly assumed that the inferiority of Irish laborers was due to a race defect, while the superiority of the American was attributed by him to some natural cause. His high endorsement of the statement of Lord Brassey, which has become an economic classic, that the British navvies taken by contractors to foreign countries to work on railroads were infinitely more efficient than the natives who worked by their side, indicates that he also believed that Britons were in some way naturally better fitted for such occupations. There is no reason to discredit Lord Brassey's statement that one British navy performed as much work as three Orientals, but the acceptance by Mill of the implied assumption that the ability of the navy was due to his being a Briton was hasty and ill considered.

That the navy's ability is wholly an acquired one and that under changed conditions the Oriental may become equally efficient as a railroad or canal builder must be evident to anyone who has given the subject attention. "Dr. Franckland, in his "Comparative Value of Foods," cites a report received from J. Talmage Wyckoff, an American stationed at Bastah, at the head of the Persian Gulf, who states that there are no finer specimens of human physique to be found than are characteristic of a tribe in the vicinity of ancient Nineveh. Many of them earn a livelihood as laborers on the light draft steamers plying on the river Tigris from Bagdad to Bastah. They carry the heaviest burdens from boat to shore, bales of Manchester cotton weighing from 500 to 1,000 pounds being an ordinary load.\* Is there any reason to believe that laborers capable of such performances could not with a little training equal the exploits of the British navy, who, by the way, may have

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\*Talmage, Article "Rice," One Hundred Years of American Commerce. 18

been an Irishman transplanted from his own soil, where the conditions were fatal to efficiency of labor, to some place else where the opportunity was afforded him to test and exercise his capabilities.

It has been wittily remarked that "a man is not a horse because he is born in a stable." It may not be so witty to call attention to the fact that every man who finds employment in this country is not an American. Yet the economists, when the efficiency of labor question is being discussed, invariably assume that such is the case. As an illustration of this general tendency we may take this passage from Mill: "In America wages are much higher than in England, if we mean by wages the daily earnings of a laborer; but the productive power of American labor is so great—its efficiency, combined with the favorable circumstances in which it is exerted, makes it worth so much to the purchaser that the cost of labor is lower in America than in England, as is proved by the fact that the general rate of profits and of interest is very much higher."\*

Anyone at all familiar with labor conditions in the United States is perfectly aware that there is no foundation for the assumption that the greater productiveness of a cotton factory in this country is due to the superior ability of American operatives, for it is notorious that our weaving and spinning mills are filled with foreign-born operatives who attend as many looms or machines as the natives working by their side. In New England a large proportion of the workers in mills are French Canadians, and so far as we are aware no distinction is made between them and the American employes. If the latter have displayed any greater ability such writers as Jacob Schoenhoff who have attempted to elaborate the efficiency of labor theory have not mentioned the fact. They simply enlarge on the output and show that in the United States a given number of operatives produce

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\*Mill, Principles of Political Economy, Book III, Chap. XXV.



more cloth than a similar number in Great Britain or any other country, and from that fact deduced that American labor is more efficient, hence more cheap than that of other countries.

There is no more reason for this assumption than there was for that of Mill regarding Irish labor. Transplanted to this country, the Irishman has by some means become efficient. As a farm hand he displays as much industry and performs the tasks assigned to him with the same facility as other workers. When Mulhall pointed out that "if the economy of labor was as well understood in all countries as in the United States, where each farm hand cultivates twenty-one acres, the tilled area of Europe would be two and one-half times as great as it is," he was paying a tribute to the capacity of vast numbers of Irishmen, driven from their own homes by the hard conditions imposed upon them by their English conquerors to this country, where they figure as Americans. The Irishman of the west of Ireland who, according to the statement of Mill, "did not bring more than half the wages of even the lowest paid Englishman," when he put his foot on our shore suddenly became endowed with such capabilities that his labor was regarded as more efficient than that of the best paid English farm hand.

There is undoubtedly an error in these contradictory assertions. The Irishman who was so incapable in his own land as to not deserve half the wages paid to the most poorly compensated farm laborer of England could hardly have been converted by the simple process of crossing the ocean into a more efficient laborer than the best England could boast. There must be some other explanation of the fact that laborers are better paid in the United States than in England and that those of England receive a greater compensation than their fellows gain on the Continent than that afforded by the dubious term "efficiency of labor," which always carries with it the implication that the greater or less efficiency exhibited is due to racial causes. The

errors for which the misuse of the term is responsible are so numerous and so serious it becomes the duty of the economist to thoroughly examine them. This duty is made all the more imperative because erroneous assumptions of this kind have a tendency to retard universal progress by crystallizing the belief that obstacles which are easily removed by patient application are natural defects. It is well, therefore, to attempt to dispel an error the acceptance of which would deter capable peoples from putting forth their best endeavors to acquire and practice all the known arts.

Reflection will satisfy the candid inquirer that the acceptance of the theory of labor efficiency as interpreted by the Cobdenites would prove a fatal barrier to the acquisition of manufacturing skill by a backward people. If the assumption that the Americans or the English are the possessors of a natural quality which other peoples could never hope to artificially acquire was sound, and the doctrine that true economy demands that a people who cannot manufacture as cheaply as those who are supposed to enjoy the natural superiority was unconditionally accepted, the possessors of the assumed natural advantage would enjoy a perpetual monopoly. But there is absolutely no foundation for the belief that one set of people may perpetually enjoy an advantage over others in manufacturing because of natural superiority; the evidence is entirely one-sided on this point, and it shows conclusively that the most skillful peoples are those who practice arts inherited from remote ancestors who acquired their skill with infinite toil and pains, and that their heirs are constantly adding to their knowledge. The testimony is equally conclusive that all the races which have reached the stage we regard as civilized are capable of advancement, and that some peoples still in a state of barbarism bordering on savagery, and others in an entirely savage condition, may speedily be converted into skilled artisans. The instances of African negro slaves acquiring civilized arts are not rare, and where the individuals show

a capacity to acquire, the inference is fair that the whole race may lift itself up.

Professor Taussig, in a recent discussion, uses an illustration which suggests why certain peoples advance and others remain stationary. "A set of porters," he says, "making a profession of carrying packs develop their muscles and wind to an extraordinary degree and become capable of carrying those heavy burdens which astonish travelers in backward countries. Yet their achievements are as nothing compared with those of the successive divisions of labor. When one set of men attend to the making of roads, another to the rearing of horses, another to the procuring of iron and timber, others to wheels, wagons, harness—we get in the end, through transportation by wheeled vehicles, an enormous diminution in the labor required for a given result."\*

If we pursue the subject further we shall find that the nations containing the men capable of carrying great burdens on their backs and who make no effort to change the system of transportation are tacitly accepting the doctrines of Cobdenism. The countries in which they flourish are exclusively those which consciously or unconsciously act on the assumption that it would be impossible for them to compete with nations having established industries. No people imbued with the idea of self-dependence could fail to evolve those divisions of labor which are essential to the production of a vehicle to take the place of the pack; and it may be added that the desire and the determination to overcome the drawbacks of packing must be present in order to effect a transition to the easier and more serviceable mode of transportation.

That this desire is not always present in peoples belonging to advanced nations, or that it may easily be repressed by habits of dependence, is shown by the experience of the

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\*Taussig, *Capital and Labor*, p. 7.

Virginian colonists already cited. "It would be inferred," says a modern historian, "from the inventories of that period that there was no vehicle in Virginia in the seventeenth century resembling a carriage, but from other sources it is learned that this means of locomotion was not unknown to the colony. Such a vehicle seems to have been in the possession of a few very wealthy persons."\* Here we have the spectacle of a colony composed of men from one of the most advanced of European states, transplanted to a country abounding in all the requirements which Taussig indicates are necessary to the growth of the more convenient sort of transportation—the best of timber, iron in abundance, skins and hides which might be employed in harness making—neglecting them to such an extent that carriages were a rarity a century or more after the planting of the colony.

Not only were the means of transportation deficient in this colony, but the people, through their habit of dependence, actually lost the knowledge of the simplest manufacturing arts. They were so wholly devoted to the production of a single crop—thus strictly conforming to the advice of the modern economists, for it was certainly more profitable at the time to produce tobacco in Virginia than to engage in other pursuits—that they were compelled to import from abroad the commonest articles of household use. They ate from wooden trenchers made in England from timber imported from the colonies and re-exported in the form of finished articles, and actually, though surrounded with forests, swept their floors with British-made birchen brooms. So destructive to all manufacturing progress was the habit of dependence that as late as the eighteenth century the colonists of Virginia were unable to produce the commonest woolen cloths. What little cloth was woven was inferior, and it was never made except under the spur of necessity. The people were so disinclined to manufacturing and made so little effort

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\*Bruce, *Economic History of Virginia*, Vol. II, p. 238.

to acquire skill that even when suffering from the effects of the overproduction of their single staple—tobacco—it did not occur to them that their hard condition might be relieved by turning their attention to other industries.

In this case of retrogression we have an illustration which abundantly confirms the theory that a people, no matter what their origin or how far advanced they may be, if they wish to attain wealth and power must encourage an industrial system which promotes local, state or national independence. Dependence upon one or a few resources is fatal to progress; complete integration is the goal a nation should aim at. That it can be reached by every people capable of conceiving a desire for industrial independence, and who at the same time are provided with essential natural resources, there can be no doubt.

History, ancient and modern, if taken in its broader aspect, is one continuous recital of the efforts of peoples to achieve industrial independence and of other nations to check the effort to bring about such a result. In the very dawn of Roman national life we discover traces of commercial struggles of this kind. The first treaty of peace consummated between Carthage and Rome has the impress of a commercial settlement. By it the Romans "obtained the privilege of freely trading like other nations in Sicily, so far as it was Carthaginian; and in Africa and Sardinia they obtained at least the right to dispose of their merchandise at a price fixed with the concurrence of the Carthaginian community," and "the privilege of free trading seems to have been granted to the Carthaginians at least in Rome, and perhaps in all Latium."\*

Mommsen, commenting on the fall of civilizations anterior to that of Rome, says their fate "was but the fulfillment of an unchangeable and therefore enduring destiny." Perhaps he was right in this assumption, but it is doubtful

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\*Mommsen, *History of Rome*, Book II, Chap. VII.

whether the reader of his learned history will draw the conclusion without having pointed out to him that the fate which overtook the ancient civilizations was in almost every instance the result of trade antagonisms, and not due to a mere lust for conquest, as is generally assumed. No acute student can fail to discover that it was the pressure of population which converted the Romans into an aggressive and conquering nation, nor, if he examines closely, can he escape the inference that it was the tendency of the people who are mostly thought of as a nation of warriors to absorb all the profits of industry in the ancient world. No more egregious error exists than that contained in the assumption that the Roman object was the military conquest of foreign peoples for the purpose of stripping and taxing the conquered peoples. Doubtless the demands of the government upon the provinces were often excessive, but the evidence is overwhelming that the chief purpose of the conquerors was the extension of Roman trade.

It would require too much space to fully demonstrate the commercial character of the Romans and to show how completely their military operations were dominated by the necessity of affording opportunities to a growing population for industrial expansion. The discussion would be an interesting one, but the relation of the story, while it might strengthen the argument that the history of the world is merely a narration of the industrial evolution of nations, is not absolutely essential. We may accept the views generally expressed by historians and still find abundant evidence that since the dawn of history there has been an unceasing effort on the part of peoples devoid of skill to acquire the arts which they clearly perceived made rivals who possessed them more wealthy and powerful. No one can read the account of the growth of great states from feeble beginnings without realizing that the advances in most cases were the result of industrial imitation. The story disclosed to us by the discoveries in the Mycenaean and Trojan ruins

is a narrative of the transference of the arts of the Orient to the West, a trifle obscure at present, but on the whole sufficiently distinct to enable us to comprehend that much of the Greek many-sidedness of a later period was inherited and not indigenous.

“As long as we had evidence,” says Professor Manatt, who made a special study of Mycenaean civilization, “only in Schliemann’s city, strong and opulent indeed, but insignificant in size, and with everything to show an infinitely earlier stage of culture—it required truly eclectic fancy to set the Epic antagonists face to face. Today, however, that Burnt City is important mainly as a witness that perhaps a thousand years before Mycenae was built the Hissarlik hill was already a seat of ancient power, so that the larger, stronger Troy we now know was at once the heir of the hoary East, and flourishing at the very moment when we find Mycenae in her golden prime.”\*

Mycenae, according to Arthur J. Evans, played a part in molding European arts which it would be difficult to exaggerate; or, as we prefer to put it, the different peoples of the world with whom the Mycenaeans came into contact worked out their destinies by appropriating the ideas and imitating the achievements of the Mycenaeans. Evans says: “Beyond the limits of its original seats primitive Greece and its islands and the colonial plantations thrown out by it to the west coast of Asia Minor, to Cyprus and in all probability to Egypt and Syria, we can trace the direct diffusion of Mycenaean products, notably ceramic wares, across the Danube to Transylvania and Moldavia. The Mycenaean impress is very strong in southern Italy and Sicily. More isolated Mycenaean relics have been found still further afield in Spain and even the Auvergne, where Dr. Montelius has recognized an old trade connection between the Rhone valley and the Eastern Mediterranean in two bronze double axes of the Aegean form.”

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\*Manatt, *Mycenaean Age*, p. 360.

We do not need to inquire too closely whether the bronze double axes referred to by Montelius were passed into the valley of the Rhone directly by the Mycenaeans or whether they reached the people of that region by the roundabout course of trade. The Phoenicians who carried the wares of their own and those of other countries afar by sea may have passed these evidences of early Aegean skill to a port on the Mediterranean from whence they may have found their way to the interior. The only point sought to be made is that the Auvernians, whom the Romans were pleased to designate as barbarians, were not slow to borrow and practice the arts brought to them by strangers.

Cæsar commented upon the peculiar skill displayed by the Celts in imitating any model or executing any instruction issued by him,\* and Mommsen tells us that "the Auvernians had attained to extraordinary wealth, and that they had a comparatively high standard of civilization" before the Roman occupation of their territory.†

It is evident that the German scholar, who doubtless attempted to do the Celts justice, underrated their achievements. But his investigations and conclusions are far reaching enough to establish the fact that Gaul had advanced sufficiently before her absorption into the Roman Empire to work out her industrial destiny, and that the country owed less to the conqueror than is generally supposed by those who accept the vague and glittering phrase that the Roman arms carried civilization to barbarous peoples. When Mommsen tells us that the Romans "reaped the benefit of the respectable beginnings of Hellenic civilization in Gaul," and that "trade and commerce paved the way for conquest,"‡ we have a right to assume that these respectable beginnings—it is absurd to speak of them as beginnings—would have

\*Cæsar's Commentaries.

†Mommsen, *History of Rome*, Book IV, Chap. V.

‡Ibid, Book V, Chap. VII.



led to a development as useful as that of the conqueror if they had not been interfered with.

We are confirmed in this impression when we turn to ancient writings. The works of Strabo abound in references to the industrial achievements of peoples we are too apt to consider as being little better than savages at the time Rome subjected them to her power. In assuming that Rome carried the arts and civilization to Gaul and Spain we overlook the fact that Pliny describes his countrymen as "a people which has never shown itself slow to adopt all useful arts."\* All is a very comprehensive word and appears to have been used understandingly by Pliny, who does not permit us to retain the impression that Rome borrowed solely from Greece and Egypt. He makes numerous allusions to the Gallic and Spanish proficiency in agriculture and in manufacturing. In places Pliny manifests a propensity to dwell upon the real or fancied superiority of certain localities in the prosecution of a particular art, but it is clear that he thoroughly understood that the advantages he described were in almost every case artificial, and, as they were not due to racial qualities, could be easily imitated.

It has been remarked that the ancients developed no science of political economy. The observation is measurably true, but there is a vast body of writing that has come down to us from antiquity which if carefully studied may yield as good results as though the writers had attempted to formulate axioms which every day practice shows are not to be depended upon as accurate. Pliny's "Natural History" is notably full of information which exhibits clearly why nations in ancient times were enabled to maintain a monopoly in certain lines of manufacture. The chief cause was undoubtedly the resort to division of labor. Although the ancient economists did not, like Adam Smith, develop the idea

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\*Pliny, *Natural History*, Book XXIX, Chap. V.

†George, *Science of Political Economy*, p. 133.

that division of labor adds enormously to its efficiency, there is no doubt that its value was thoroughly understood and that it was practiced in ancient Rome.

Pliny tells us that "Aegina was particularly famous for the manufacture of sockets only for lamp stands, as Tarentum was of that for branches; (and that) the most complete articles were therefore produced by the union of the two."\* Here we have as pronounced a case of minute subdivision of labor as the assembling in modern times of bicycle parts implies. Tarentum and Aegina were cities far apart; the former was in southern Italy and the latter was an emporium in one of the islands of the Grecian archipelago. They were both celebrated as manufacturing centers long before the beginning of the Christian era. Aegina, six centuries before the days in which Pliny flourished, had commenced her career, and Tarentum, the leading city of Magna Græcia, with wealth and power enough to be a thorn in the side of Rome in the first Punic war, had a continuous commercial development during the eight centuries which followed its colonization.

It is not surprising that these two manufacturing centers should have carried out in practice the ideas which Smith has illustrated in his passage on the division of labor. Their inhabitants were ingenious and great capitals had been accumulated by some of them, who saw that profit would be derived from specialization. Accordingly, we find the Aegeans and the Tarentines devoting themselves to the manufacture of parts of lamps, which were shipped to all the provinces of the Roman Empire just as the parts of bicycles are shipped from this country to England, France and other countries to be assembled, the process in the one case being a cheaper lamp and in the later instance a cheaper and better wheel than could be turned out if it were wholly constructed in one factory.

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\*Pliny, Natural History, Book XXXIV, Chap. VI.

The practice of the people of Aegina and Tarentum was not peculiar to them. There is unmistakable evidence in the scores of allusions found in the writers of antiquity to the skillfulness of particular populations in certain industries. It is unnecessary to pile up quotations to demonstrate this, or to deduce from them that the skill was the result of acquired ability and not of natural advantages. When we inquire why the Phœnicians became so proficient in the art of dyeing we may at first incline to the belief that the proximity of Tyre to supplies of the shellfish from which the matter for the famed purple was extracted explains their long maintained superiority. But further investigation soon discovers that comparatively early the Phœnicians were compelled to go far afield for their supply of murex. The shores of numerous islands and the coasts of Italy abounded in them, and for a long time these shells formed the return cargoes of Tyrian vessels. No doubt the tenacity with which trade secrets were guarded in antiquity helped the Phœnicians to retain their monopoly for some time, but they could not preserve their advantage when the Romans and their other rivals began to perceive that they too might share the profits arising from the lucrative business of coloring cloths.

We so constantly think of the Romans of antiquity as a military people that we are inclined to underrate their enterprise, and are apt to suppose that they always remained dependent upon foreigners for their supplies of manufactured articles. But evidence such as the following ought to convey an entirely different impression and will help establish the correctness of the contention that the true explanation of the greater efficiency of labor in certain localities is not owing to race characteristics, but is due to entirely different causes, most of them wholly artificial. Speaking of the caprices of fashion, Pliny says: "It was not sufficient to have borrowed from a precious stone the name of amethyst for a dye, but when we have obtained this color we must drench it over again with Tyrian tints, so that we may have an upstart

name compounded of both and at the same time a twofold display of luxury; for as soon as ever people have succeeded in obtaining the conchyliated color they immediately think it will do better as a state of transition to the Tyrian hues. There can be little doubt that this invention was due to some artist who happened to change his mind and alter a tint with which he was not pleased; hence a system has taken its rise, and spirits ever on the rack for creating wonders have transformed what was originally a blunder into something quite desirable.”\*

We are not concerned about the speculation of Pliny regarding the origin of the system of multiplying shades of color. It may have been accidental, as he suggests, but it is far more probable that it was the result of deliberate investigation of the properties of substances capable of being employed as dyes. The great number of mineral, vegetable and animal dyes and paints known to the Romans of Pliny's time, and the ingenuity displayed in their use, shows that what is alluded to as a system bears a remarkable resemblance to the modern scientific processes of chemists who make dyes a specialty. It is noteworthy in this connection that Pliny explains his reason for making copious references to the art of dyeing by saying that he should not have omitted to enlarge upon the matter, even though he had “found that dyeing had been looked upon as forming one of our liberal arts.”† From this statement and other allusions we infer that the Romans not only imitated the Phœnician art of dyeing, but that they greatly developed it and finally eclipsed their teachers. In short, having adopted the idea that they were as capable of coloring fabrics as the assumed originators of the famous purple dye of antiquity, the Romans, in a comparatively short period, succeeded in destroying the Tyrian monopoly, a work in which they were assisted by other energetic peoples of the period.

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\*Pliny, Natural History, Book IX, Chap. LXIV.

†Pliny, Natural History, Book XXII, Chap. III.

It may be asserted with confidence that the success achieved by the Romans in the art of dyeing was matched by their achievements in other fields of industry. The enormous expansion of the territorial area of the empire caused something like a uniform development of manufacturing throughout its length and breadth. Turning again to Pliny we find this assumption supported in an extended description of the linen industry. "The Cadurci, the Caleti, the Ruteni, the Bitureges and the Morini \* \* \* the whole of the Gallic provinces, in fact," he says, "are in the habit of weaving sail cloth; and at the present day our enemies even who dwell beyond the Rhenus have learned to do the same. Indeed, there is no tissue that is more beautiful in the eyes of the female than linen. I am here reminded of the fact \* \* \* that in Germany it is in caves deep under ground that the linen weavers ply their work, and the same, too, is the case in the Alia territory in Italy, between the rivers Padus and Ticinus, the linen of which holds the third rank among the kinds manufactured in Europe, that of Sætabis (Spain) claiming the first, and those of Retorium and of Tarentia in the vicinity of Alia on the Aemilian way the second place in general estimation. The linens of Faventia are preferred for whiteness to those of Alia, which are always unbleached; those of Retorium are remarkable for their extreme fineness, combined with substance, and are quite equal to the linens of Faventia in whiteness, but they have none of that fine downy nap upon them which is so highly esteemed by some persons, though equally disliked by others. \* \* \* But it is the province of nearer Spain that produces linen of the greatest luster, an advantage which is owing to a stream which washes the city of Tarraco there. The fineness of this linen, too, is quite marvelous, and here it is that the first manufacture of cambric was established. From the same province, too, of Spain, the flax of Zoela has of late been introduced into Italy and has been found extremely serviceable for the manufacture of hunting nets. Before now we have

seen some of these toils of a fineness so remarkable as to allow of being passed through a man's ring, running ropes and all, a single individual being able to carry enough nets to environ a whole forest. This, however, is not very surprising, but it is really quite wonderful that each of the cords was comprised of not less than 150 threads."\*

No one can read this passage without concluding that throughout the vast extent of the Roman Empire the art of manufacturing linen was generally understood and practiced. There are suggestions that certain towns or localities excelled in particular branches, but the only inference to be drawn from them is that the art had in those places been carried to a higher degree of perfection by specialization resulting from long experience, and that the investment of capital had intrenched the business. There is only one allusion to a natural advantage, that said to have been enjoyed by Tarraco, whose river water was supposed to possess valuable properties, but it is obvious that it was not the superior water which gave that center its lead; it was the fact that the Tarracans had great experience, an assumption borne out by the statement that Tarraco was credited with being the originator of cambric.

If we investigate the condition of other industries of antiquity we find records of a similar state of diffusion. Not only in the Roman provinces mentioned, but in all others, manufacturing seemed to flourish. This being so, we have a right to assume that all of the peoples in the vast dominions of Rome, and those with whom the Romans had relations, had, before Pliny's time, shown themselves capable of creating a domestic manufacturing industry, and that the habit of industrial dependence was not a feature of antiquity. If this idea is firmly grasped many of the difficulties which historians have created for themselves will disappear. We need only extend it a trifle to permit the belief that the term bar-

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\*Pliny, Natural History, Boox XIX, Chap. II.

barian applied to the Goths was not a synonym of "savagery," and that they were barbarians only in the sense that they were foreigners to Rome. After reading the harrowing accounts of the cruelties to which the Romans were subjected by the Gothic invader we are confused to learn that "in less than seven years the vestiges of the Gothic invasion were almost obliterated, and the city (Rome) appeared to assume its former splendor and tranquillity."\* The Romans must have possessed extraordinary recuperative powers to have accomplished the feat of completely restoring their city in so brief a period, or the injuries perpetrated by the Goths must have been grossly exaggerated.

That the latter was the case is doubtless true. The victorious Goths exacted a heavy indemnity, but probably not so great as that recently extorted from France by Germany. The ravages of the Goths were, perhaps, not more extensive than those committed by modern soldiers after the reduction of a wealthy capital. To form an estimate of the qualities and the capacities of a people by their acts in war, as many historians have done, is absurd. If that were the rule a formidable indictment could be framed against the British and French. The story of the looting of Peking does not differ essentially from that of the sacking of Rome by the Goths. The soldiers representing the two most enlightened nations of modern times when they sacked the palaces of the Chinese did not go about their work after the fashion of art connoisseurs. They thought more of the gold and silver which entered into or adorned an object secured by them as plunder than of the genius which created it, and so did the Goths.

At any rate, these people, whether savages or not, are, a little later, found creating an art of their own. They appear in Spain and are welcomed by the natives, who regard their advent as a desirable change from the oppressions of their Roman rulers, which would be singular if they were merely

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\*Gibbon, *History of Rome*, Bohn. Chap. XXXI, Vol. III, p. 458.

savages come to ravage the land.\* Three centuries after the invasion of the Spanish province "the Goths," we are told, "were no longer the victorious barbarians who had humbled the pride of Rome, despoiled the Queen of Nations and penetrated from the Danube to the Atlantic ocean. Secluded from the world by the Pyrennean mountains, the successors of Alaric had slumbered in a long peace; the walls of the cities were moldered into dust; the youth had abandoned the exercise of arms; and the presumption of their ancient renown would expose them in a field of battle to the first assault of the invaders."† Remarkable savages these. The progress made by them in three hundred years is marvelous enough to deserve the study of evolutionists who believe that the process of converting a savage into a civilized people is the work of ages, and is not accomplished in the brief period here implied.

When we turn our attention to the Vandals we find that their record on the pages of history is somewhat similar to that of the Goths. Like the latter, after their acquisition of a Roman province, the conquest of which, according to the annalists, was accompanied by the most extraordinary atrocities and economic follies, we at length find them fleeing before the armies of Belisarius, their cowardice being attributed to the sloth and effeminacy contracted during the period of their ascendancy. While they maintained their power in Africa we are told the Vandals frequently made descents on the coasts of Spain, Liguria, Tuscany, Campania, Dalmatia, Epirus, Greece and Sicily, and were stigmatized as pirates for so doing, but the appellation seems undeserved, as such manifestations of vigor appear to have been common in ancient times. We may justly suspect that all the Vandals were not thus employed, for while their warriors, with "their arms spread desolation and terror from the columns of Her-

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\*Gibbon, *History of Rome*, Bohn, Chap. XXXI, Vol. III, p. 468.

†*Ibid*, Chap. LI, Vol. VI, p. 89.



cules to the mouth of the Nile," it seems that a contingent remained at home engaged in the arts of peace, developing and making the best of the resources of the country they had occupied. It is commonly assumed that the Vandals were all warriors, but this must be an error. In the train of their victorious armies followed the usual horde of non-combatants, and these we may suppose were merged with the subject population and assisted them in the product of the vast wealth which characterized the rehabilitated Carthage.

Toward the middle of the sixth century Procopius visited Africa and recorded his "admiration of the populousness of the cities and country, strenuously exercised in the labors of commerce and agriculture." When Justinian's great General, Belisarius, reconquered the province the Vandalic warriors had become too enervated to successfully resist. "In three generations prosperity and a warm climate," says Gibbon, "had dissolved the hardy virtue of the Vandals, who had insensibly become the most luxurious of mankind. In their villas and gardens, which might deserve the Persian name of Paradise, they enjoyed a cool and elegant repose; and after the early use of the bath the barbarians were seated at the table profusely spread with the delicacies of the land and sea. Their silken robes, loosely flowing after the fashion of the Medes, were embroidered with gold; love and hunting were the labors of their life, and their vacant hours were amused by pantomimes, chariot races and the music and dances of the theater."\*

These are all symptoms of an advanced civilization, and although our authority cites them to show the declining virtue of the Vandals, they may be more properly regarded as indicative of the love of peace and repose which all prosperous industrial peoples experience. It would be an error to assume that the undoubted prosperity of the conquerors of Africa was solely due to the industry of the subject races,

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\*Gibbon, *History of Rome*, Bohn, Chap. XLI, Vol. IV, p. 372.

and that the Vandal occupants of the soil lived in idleness at the expense of their conquered subjects. The resources of Africa were great, but they were not abundant enough to maintain in sumptuousness one hundred and sixty thousand idle warriors, the number to which the original fifty thousand Vandalic warriors had increased during the three generations succeeding their conquest.

Had not the arms of Belisarius proved victorious a different tale might have been told, and the word "vandal" would not have stood as a synonym of savagery. We are told that after their defeat "the bravest of the Vandal youth were distributed into five squadrons of cavalry which adopted the name of their benefactor and supported in the Persian wars the glory of their ancestors. But these rare exceptions, the reward of birth or valor, are insufficient to explain the fate of a nation whose numbers before a short and bloodless war amounted to six hundred thousand persons. After the exile of their King and nobles, the servile crowd might purchase their safety by abjuring their character, religion and language, and their degenerate posterity would be insensibly mingled with the common herd of African subjects. Yet even in the present age, and in the heart of the Moorish tribes, a curious traveler has discovered the white complexion and long flaxen hair of a northern race, and it was formerly believed that the boldest of the Vandals fled beyond the power or even the knowledge of the Romans, to enjoy their solitary freedom on the shores of the Atlantic ocean."\*

The conjecture referred to may have had some foundation, but it seems as entirely fanciful as was the attempt of Gibbon to trace in the people of modern Lusatia vestiges of the ancient spirit of the Vandals. The great historian's theory of the perpetuity of racial qualities is contradicted by the experience of his own country, which shows how completely the original propensities of peoples may be eliminated

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\*Gibbon, *History of Rome*, Bohn, Chap. XLI, Vol. IV, p. 388.

by assimilation, and that a general type is evolved whenever industry and commerce have moderately free play. Such abnormalities as the Basques prove nothing. Even they could not have retained their characteristics had not Spain been so weak that she was virtually compelled to make treaties with them, thus practically recognizing their independence.\* This, combined with their isolation, has enabled them to maintain their ancient usages. Had the Basques been subordinated to British rule they would have been molded into Englishmen as effectually as the Scotch, who are gradually losing their distinguishing characteristics.

An English writer has remarked "that savages did not formerly waste away before the classical nations as they now do before modern civilized nations. Had they done so," he says, "the old moralists would have mused over the event, but there is no lament in any writer of that period over the perishing barbarians."† This observation emphasizes the fact we are endeavoring to establish, that all peoples are capable of advancement, and that if they turn their attention to industry, unless extirpated by war, they must in the fullness of time, as they grow in numbers, develop a civilization of some sort. The ancient moralists did not mourn over the disappearances of peoples because nothing of the kind happened. The myths of the ancients and their more serious writings clearly indicate that they were familiar with the process of amalgamation and that they had more than an inkling of the idea of industrial evolution. "I am of opinion," says Lucretius, "that the world is of comparatively modern date and recent in its origin \* \* \* from which cause some arts are but now being refined, and are even at the present on the increase."‡ And in another place he says: "The earth which produced all creatures, for it was not, as I con-

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\*Latimer, Spain in the Nineteenth Century, p. 202.

†Bogehat, Physics and Politics, Fortnightly Review, April, 1868, p. 455.

‡Lucretius, Book V (v. 312-331).

ceive, a golden chain from above that let down the tribes of mortals from heaven into the fields, nor did the sea or the waves that beat the rocks produce them; but the same earth which now nourishes them from their own substance generated them at first."\* People capable of formulating conceptions of this kind might easily be induced to act upon the principle of the survival of the fittest, but they would never make the blunder of assuming that the number of peoples fitted to survive was limited, and that only those who were born on Latin or Greek soil could reach the enlightened stage.

The Roman polity was a flat contradiction of such an idea. Whether designedly or otherwise, the Romans carried their art and civilization wherever they went, and in conquered territory tolerated all the arts of indigenous growth. Theoretically the Roman considered his countrymen superior to all other peoples, but in practice he recognized that the ability to advance was not confined to one nation. So, too, the Greeks. They emigrated and planted colonies wherever the conditions seemed to invite, but there is no trace whatever in history that the emigrants or colonists imagined that they were incapable of accomplishing as much as the stock from which they had sprung. The Greeks of Syracuse and a score of other places along the coasts of Italy and Spain were to all appearances as advanced industrially as any of the more ancient Greek settlements in Asia Minor or on the Peninsula. It never entered the Grecian mind that Greece should be regarded as the workshop of the world; on the contrary, wherever he planted himself the Greek began to develop the surrounding resources. As a result powerful communities grew up which soon ceased to sympathize with the political aspirations of those left behind them. The transplanted Greeks retained the feelings inherited from their forefathers, but the bonds of sympathy were weakened by industrialism, and in comparatively brief periods they ceased to be Greeks except

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\*Lucretius, Book II (v. 1155).

in language. The story of Syracuse, with a modern setting, would not differ materially from that of the United States.

These are facts which must be taken into consideration if a correct efficiency of labor theory is to be formulated. It is as idle for modern economists to assume that a political boundary determines the industrial character of a people as it would have been for the ancients to look upon the Syracusans and the Massiliots as incapables because they no longer breathed the sacred air of Greece. If the Syracusans achieved great industrial successes in their new home, it was not because they were born on the island of Syracuse and were descended from Greeks, but rather because they had the wit to make use of the resources of the country in which they lived.

Had there been a successful Cobden in antiquity the great manufacturing centers on the Mediterranean would never have been established. Colonies would have been planted, no doubt, but the colonists would have depended upon the mother country for their supplies of manufactured products, which would have been dealt out to them sparingly and on the lines suggested by Adam Smith—that is, a great quantity of the rude products of the soil would have been taken in exchange for a very small quantity of finished articles. Had there been any marked tendency of this kind in antiquity the whole course of history would have been changed. Had the Greeks in Syracuse contented themselves with producing those agricultural commodities for which their island was celebrated a great and wealthy city, which dared to contest with the mother country for supremacy, would not have grown up. Had the Phœnician colonists planted at Carthage respected the desires of the Tyrians and simply devoted themselves to developing the agricultural resources of northern Africa, Tyre might still be in existence. Or perhaps, to carry the idea still further back, had the Tyrians devoted themselves to water carriage instead of turning their attention to purple dyes and manufacturing, the port might

have filled a smaller place in the annals of mankind, for its maritime inhabitants, if they had kept strictly to their natural vocation, would have obtained their supplies of finished articles from still older civilizations, whose economists might have urged that it would be more profitable for Tyre to stick to the carrying trade and leave to the countries with established manufactures the work of supplying sailors and agriculturalists with their products.

Fortunately for the world, the Cobdenistic idea of the efficiency of labor never prevailed. Mankind has always refused to accept the doctrine of racial inferiority. Even the savage who wages unrelenting war against his neighbors is inspired by a better principle than that underlying the free trade theory that some peoples are destined by Providence to play an inferior rôle. The bloody Sioux who triumphs by adding to the number of scalp locks in his possession is animated by the feeling that he would be degraded if he did not show himself superior, or at least equal, in prowess to his rivals. The scalp lock is the Sioux's symbol for power and greatness. The progress made in the industrial arts are the signs by which we recognize a nation's advance, and while the feeling may remain dormant in the breasts of some peoples for a time, it is sure to be awakened at last. A little over a century ago the historian Gibbon sweepingly characterized the Russians as a race of barbarians with little prospect of emerging from their inferior condition (169). Today the people he so scornfully alluded to are members of a mighty empire, steadily accomplishing the work of developing a territory of unrivaled resources, and incidentally exerting a greater civilizing influence than any other nation in ancient or modern times.

If we patiently read the pages of history and sensibly interpret them we shall be forced to conclude that no people has a monopoly of skill, and that no nation is destined by nature to be the world's workshop. Our investigations may disclose that some nations enjoy advantages over others, but

they are not of the kind which the Cobdenites would have us believe exist. No doubt some countries will always be found producing more cheaply than others, but the ability to do so will be an acquired and not a natural one. We have operatives in our factories who attend more cotton looms than their fellows abroad, but they are not all Americans; sometimes these operatives are mere sojourners in our midst. According to a recent official publication there were 15,823 persons of foreign birth out of a total of 22,398 who found work in the Fall River, Mass., mills in 1895, and in the same year 7,047 persons of foreign birth found employment in the mills of New Bedford, while only 1,183 natives were employed. In the Fall River mills there were 6,056 French Canadians and 6,073 English; only 6,575 out of 22,398 employed in this great American manufacturing center were born on our soil.

Under the circumstances, it is folly to assume that any superiority displayed in American mills is due to the nativity of the operatives. If the cotton mills of the United States are operated at a smaller labor cost than those of Europe some other explanation of the fact exists. Better management; more efficient plants; higher wages, may account for such a result, but not the superior skill of the American people. It is idle to claim that such is the case when the fact is apparent that our factories are filled with operatives of all nationalities, who, so far as our information goes, acquit themselves well or ill, not because they are Americans, or French, or English, but because of some individual superiority or defect. If it could be shown from a payroll of a Fall River cotton mill that the average American-born operative attended more machines than the average foreigner who works by his side the efficiency of labor theory which assumes race superiority would command respect. But in the absence of such testimony sensible men will conclude that, all other things being equal, the natives of one country will work as efficiently as those of another.

## CHAPTER XIII.

### LABOR-SAVING DEVICES.

#### EFFECTS OF THE USE OF IMPROVED MACHINERY ON MODERN SOCIETY.

Schoenhoff's explanation of lower labor cost in America—The cotton spinning industry in the United States—Wages reduced in Massachusetts to withstand the encroachments of the Southern factories—A rapid equalization of artificial advantages—Changes in centers of distribution—The movement of the center of industry steadily westward—Effects of the use of labor-saving machinery—The nail-making industry in England—Why labor-saving machines are slowly introduced in Great Britain—Constant increase of the social wreckage—Attitude of British trades unions on the subject of labor-saving devices—British opposition to the use of automatic machinery—The free use of automatic machinery in the United States—The workingman's share of the gain to society from the use of labor-saving machinery is infinitesimal—Production increased twenty-fold by machines and wages scarcely doubled—No hope of better wages held out for increased exertions.

Although there is no foundation for the belief that the natural abilities of only a few peoples make it possible for them to develop a high degree of mechanical skill, it is undoubtedly true that a great difference in the cost of labor is met with in different countries. There seems also to be abundant evidence that this labor cost may be lower in countries where wages are nominally high than in rival countries where the compensation of the workingman is much smaller. The observation of this fact has lent color to the assumption that some races are better fitted by nature to engage in manufacturing than others. When it can be demonstrated that



one hundred operatives in an English cotton mill turn out twice as many yards of cloth as a similar number of operatives in a German establishment the inference seems reasonable that the better results attained in England are due to the superior skill of the people employed in the British mills.

It is possible, however, that the better results achieved are not due to the employment of more skillful people in England than on the continent. Too many of the writers who have discussed this subject have ignored the disposition which manifests itself in some countries to prevent workmen exerting their full powers. Some of them have recognized this factor, but in a manner calculated to minimize its importance. Jacob Schoenhoff, who has devoted much attention to the subject of labor efficiency, in a review article tells us that "the improved and high speed machinery in America requires a class of workmen superior to that employed in low-wage countries. That the superior results which show themselves so prominently in the exporting of the products of our mills require great exertion," he says, "is self-evident. That this can be maintained only by a correspondingly high standard of living on the part of the worker—i. e., high wages—is equally self-evident. The higher wages which our workmen receive, however, do not materially affect the price of our goods in industrial competition; for adverse conditions are more than equalized by our greater output."\*

The ink used in printing the article by Schoenhoff had scarcely dried before a bulletin was issued from the press of the Statistical Bureau of the Commonwealth of Massachusetts devoted to the discussion of the subject of the cotton manufacturing industry of the Bay State, a large part of which was surrendered to an inquiry into the effects of the competition of the cheaper labor employed in Georgia and other Southern States. The conclusions of the compiler of the document are interesting and seem to effectually dispose

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\*Schoenhoff, Exports and Wages, Forum, January, 1898.

of Mr. Schoenhoff's theory that high wages are not a disadvantage in a competition with producers who pay lower wages.

The writer says: "That there are certain advantages which the mills in Massachusetts and in the South respectively enjoy, as against each other, is plain. The principal advantage in the South lies in long hours and low wages. Just how much of an advantage this is, upon the whole, is an open question, or, at least, a question about which there is much difference of opinion. The disparity in nominal wages is already shown by the figures herein presented (in the bulletin), and probably amounts, to put it in a general statement, to at least 30 per cent. in favor of the South. But nominal wages from the manufacturer's standpoint do not show labor cost, and as far as the industry as a whole is concerned the labor cost when computed per spindle does not show nearly so wide a variation; while if the total cost of labor and stock be computed as a percentage upon the output the differences between the States are still less. This statement is based, of course, upon the only existing official figures and *applies to the industry as a whole and not to particular mills, or particular kinds of goods.*

"Nor from the standpoint of the operatives do nominal wages or money earnings show what is actually obtained. This depends upon the cost of living, which, under present standards, is probably less in the South, taking everything into consideration, than in Massachusetts. Taxes are lower in the South, but interest charges are higher. There appears to be a slight advantage in cost of power in some of the Southern States, due partly to the greater use of water power, but so far as shown by the figures obtainable by us, when the aggregate cost of fuel is computed as a percentage upon output for the industry, the advantage seems to be very slight. The proximity of the Southern mills to the cotton fields is largely offset by higher freight rates and other factors, so that no difference is to be seen in the price of cotton

at the mill, while the Southern mills are at a greater distance from the centers of distribution of the product, and they are also further away from the sources where machinery and supplies must be obtained.”\*

This long excerpt might have been dispensed with, as Mr. Schoenhoff's contention could have been disposed of by simply stating the fact that the Massachusetts mills in the early part of 1898 were compelled to make a reduction of wages to meet the cheaper labor of the South, but the views of the writer of the bulletin are presented because they intelligently discuss the fallacies underlying the efficiency of labor theory. For nearly the same reason it is expedient to reproduce the comments of the Boston *Textile World*, which, in December, 1897, predicted that employers would be compelled to resort to such a course, saying: "One of two things will have to be done: either the hours of labor in Massachusetts will have to be extended or the wages of operatives will have to be reduced. The latter is the more likely. Southern competition with Massachusetts mills is more detrimental than any foreign competition on the lower grade of goods." A keen Southern critic, noting the admission in this concluding sentence, remarked: "This observation is significant, and while it applies to competition only on lower grades of goods, it nevertheless shows that what is true of these grades may in time become true of other grades."†

When we attempt to analyze the conclusions reached by the compiler of the Massachusetts Labor Bulletin we find admissions which fully justify the claim of the Southerners that they are deriving an advantage from the presence of large bodies of negroes willing to work more cheaply than the operatives in the cotton mills of New England. The bulletin states that while the difference is not as great as the lower nominal wages of the South imply, there is still

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\*Labor Bulletin of Massachusetts, No. 5, January, 1898

†Atlanta Constitution, December, 1897.

a difference in favor of the latter section. But the writer or compiler virtually admits that his comparison is not wholly trustworthy by calling attention to the fact that his statement applies to the cotton "industry as a whole and not to particular mills or particular kinds of goods." Had he confined his comparison of the progress made in the two sections to the lower grades of goods he would not have conveyed the impression which he to a certain extent does that Massachusetts has nothing to fear from Southern competition.

A table presented by the *Atlanta Constitution*, which shows that the number of mills in the South had increased from 254 in 1890 to 483 in 1897, and the spindles during the same period from 1,712,930 to 4,105,667, indicates the state of affairs more truly than the figures of the Massachusetts bulletin, which really have no immediate bearing on the matter. It is easily conceivable that the cotton manufacturing industry *as a whole* may continue to expand in Massachusetts in the face of Southern rivalry, but the causes for such expansion when inquired into closely will be found to be different from those assumed by the advocates of the labor efficiency theory.

The Massachusetts Labor Bulletin hints at some of the reasons why the cotton manufacturing industry in New England may continue for some time to come to pay higher wages than are paid in the South. It states that while taxes are lower in the South interest charges are higher. This latter condition is not likely to exist very long. If the Southern factories make as much progress in the coming seven years as they have in the past capital will flow to that section in abundance; perhaps some of that now employed in Massachusetts will be diverted to the newer and more profitable field. And the higher freight rates which the Southern factories are now compelled to pay in order to bring their supplies of raw material from the comparatively near-at-hand

cotton fields will be reduced in the near future, thus removing another of the new competitor's disadvantages.

One of the noteworthy features of recent railroad building in this country is that a large part of the newly projected lines and extensions are in the South. This means increased facilities and competition which may be relied upon to lower freight rates between field and factory in that section, and the result will be a decided advantage to the Southern mills, making their proximity to cotton supplies a telling factor in cost of production. That the present advantage of being near to the centers of distribution, which the bulletin says the Massachusetts mills now enjoy, will soon disappear must be evident to any one who will take the trouble to note that the center of population in this country is steadily moving westward. In 1790 Baltimore occupied the position; a century later it was at a point about thirty miles west of Cincinnati.\* At the same rate of progression, Atlanta, the principal seat of the cotton industry in Georgia, will in less than fifty years be more accessible to a greater number of people than the mills of New England are at present.

Concurrently with this increase of population and shifting of the center, there will go on a development of the general manufacturing industry of the country which will bring the South fully as near to "the sources from whence machinery and supplies" must be obtained as Massachusetts. Indeed, there is no reason why the South itself should not be one of the sources of supply. No one thus far has been able to show that a general manufacturing industry may not spring up in the vicinity of the great iron deposits of Alabama. On the contrary, it is now very generally maintained that such will be the case. In any event, the great development of manufactures in the tier of Western States immediately north of the region where the cotton manufacturing and cotton planting industry of the South is most flourishing

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\*Gannett, *The Building of a Nation*, p. 73.

promises to give the Atlanta and other Southern factories as cheap a base of supplies as that now enjoyed by New England.

We are so apt to think of the people of the central region of the Union as great agricultural producers that we quite overlook the phenomenal manufacturing development of their section. "In 1850 the Prairie States had only one factory operative to seven farming hands, where in 1890 the figures stood relatively as five to eleven. In 1850 the number of operatives in factories was 111,000; in 1890 it was 1,407,000. The value of manufactured products in the latter year was \$3,161,000,000, of which \$2,259,000,000 was of sundries, less than one-third of the total being flour, meat and lumber." The authority furnishing these figures says that "food and lumber constitute the principal manufactures," but his own tables convict him of a blunder. The manufacturing industry of Illinois, Indiana, Ohio and other Western States is becoming as thoroughly diversified as that of New England. On this point the chief of the Bureau of Statistics of the United States says: "Following upon the rapid advance in the population of the Western States, large and diversified manufacturing enterprises have been established, and the center of the manufacturing industries of the country has moved slowly toward the West. In 1890 the center was about eight and one-half miles south of Canton, Ohio, while in 1850 it was near Mifflintown, Pa."\*

In the face of evidence such as this it will be very difficult for Mr. Schoenhoff, and those who agree with him, to maintain their contention that the greater efficiency of the labor of New England will make that section the permanent seat of the cotton manufacturing industry of the Union. We have seen that while the manufacturers of New England have been compelled to reduce the wages of their operatives in order to meet the lower wages paid by the Southern man-

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\*Mulhall, *Progress of the United States*, *North American Review*, August, 1897.

ufacturer, they still possess advantages which should materially help them in a competitive contest, but, as has been pointed out, they are of a temporary character and cannot long be monopolized. Interest will be lowered in the South, freight rates will be reduced, thus equalizing the cost of distribution, which is now against the latter section, and supplies of machinery and other things will be as easily and as cheaply obtained by the Southerners as by the manufacturers of New England.

No fancied superiority of labor will avail to avert the inevitable result of the creation of a great cotton industry in the South. It will be impossible for the New Englanders to permanently retain the advantages derived from their high organization which effects savings as yet unpracticed by the new competitors. These advantages, however, will all be acquired in time by the Southerners, whose experience will ultimately demonstrate that "superior labor efficiency" is a broken reed to lean upon. Whether the natural advantages of proximity to the cotton fields and to the great mass of the consuming population of the United States will ultimately entirely overcome the present artificial advantages enjoyed by New England is something for the future to decide. It is not improbable that Massachusetts, whose economic writers now tell us of the superior efficiency of the labor employed in the cotton factories of that State, may be compelled to resort to the purely artificial device of lowering wages until the cost of production is reduced sufficiently to offset the benefits which the Southern mills enjoy in the shape of lower price of raw material and cheap labor.

It must not be inferred from this presentation of facts that the writer has lost sight of the tendency of wages to increase in those countries where manufacturing industries secure a foothold. The accuracy of an observation made by David F. Schloss, who advances the argument that "dear labor is cheap," is admitted. He tells us that "in Germany wages are every day higher; and with the increase in its

remuneration the productivity of German labor is by slow but steady steps concurrently advancing." He also says that "even the wide gulf which separates the English from the Indian cotton spinner is being rapidly narrowed. Not long ago it was shown that it took six of the Bombay native mill hands to do as much work as one Lancashire operative. But within the last few years the remuneration of the Indian operative has risen from 30 to 40 per cent., while his industrial efficiency has nearly doubled itself."\* The truth of these statements can no doubt be easily substantiated, but we question whether Mr. Schloss' deduction from them is sound. He says: "Under these circumstances, it must be clear that the true line of deliverance for our English industries, hard pressed as these industries unquestionably are by foreign competition, is to be found in the augmentation rather than the diminution of the wages of English labor."

No one will contend for a moment that a diminution of the wages of the English operative may result injuriously to the worker by lessening his productive ability, but it must not be forgotten that there is a surplus of workers and that in the present crude state of distribution the ability to produce in excess of the effective demand plays an important part. Let us take an instance cited by Mr. Schloss and study it carefully in order to ascertain its real significance. The evidence taken by the British sweating committee in 1889, he tells us, "showed that a man and his wife can only earn between them from 10 shillings to 17 shillings in a busy week at nail making in the Midlands. The average is much less, for in some weeks they get no work at all. Much of the work is done in wretched hovels, often under most unsanitary conditions, and many of the women injure themselves in a grave manner by the use of the heavy 'oliver' employed in cutting the cold iron—a clumsy spring-tilt hammer—trying the strength of the worker to the utmost extent. But in America, as Mr. Schoenhoff proves, the manufacturers, avail-

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\*Wright, *Industrial Evolution of the United States*, p. 161.



ing themselves of the best methods and the most improved machinery, are able to turn out nails at one-half the labor cost incurred in England, and that although the American workman receives wages fully ten times as high as those of our Dudley nail makers.”\*

It is not necessary to raise the question here whether the improved nail-making machinery in use in the United States is a blessing or the reverse. Doubtless its employment has cheapened the cost of production and lowered the price of nails, thus stimulating consumption; and, as the writer observes, the American nail maker receives wages fully ten times as high as those paid to the English nail makers. This we know is the case, but it may be asked whether the substitution by the British of the improved processes in vogue in this country for those now pursued in England would be followed by a similar result. In other words, if the Midlands nail makers were supplanted by machines would those who attend the machines receive ten times as much wages as English nail makers now receive? Obviously not. The reason why is clear. Contrary to the opinion of the Schoenhoff school, which assumes that the ability to skillfully manipulate machinery is confined to a few peoples and is acquired slowly and with great difficulty, the reverse is the case. We have only to bring to mind the fact that modern processes of manufacture are little more than a century old to understand with what facility civilized people acquire a knowledge of the industrial arts. The nail makers of the English midland counties may seem dull, but there is no doubt whatever that the ability which they have displayed in fashioning nails by hand could be developed along other lines, and that the brightest of them could speedily learn to attend nail making machines with as much success as the most expert American nail makers.

But before asking what the result of the abandonment of

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\*Schloss, Dearnness of Cheap Labor, Fortnightly, January, 1893.

nail making by hand would be we ought to inquire why the English method has prevailed so long in the face of American experience. The success of the improved American nail making machinery has not been a secret to Englishmen. They knew that a single workingman in the United States could turn out an immensely greater quantity of nails with the aid of a machine than could a score of British workers following the old method. Why, then, has nail making by machinery not been generally adopted in Great Britain? The only answer that suggests itself is that capital fears that a resort to it may bring about something like a revolution. The use of labor-saving machinery is creating for itself in England an industrial *imposse*. Successive inventions have narrowed the field of employment in that country, relatively if not absolutely. The result is that there is now in England an enormous population which causes concern to statesmen, to economists and to intelligent workingmen, who are trying to avert the evil consequences of undue stimulus by a resort to tactics which destroy the bond of union between employer and employed, and make them, despite all the pretense to the contrary, as much enemies to each other as though they were inhabitants of different and hostile countries.

Sir Robert Giffen, who has always made it a point to treat the difficulties of the modern industrial system optimistically, writing on the subject of the "Gross and Net Gain of Rising Wages," expresses the belief that "the whole structure of modern society is such as to require greater and greater knowledge, greater and greater energy and moral power, greater and greater capacity of every kind, so as to make sure that machines and inventions are maintained and improved, and that artistic capacities and the arts of living are developed to correspond." And he declares that this "continuous improvement implies a continuous improvement on the average of the human being who really belongs to the new society."\*

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\*Schloss, Dearnness of Cheap Labor, Fortnightly, January, 1893.

While Sir Robert has no doubt that the demand for continuous improvement will be met, and that the quality of such workingmen as are needed to attend the rapidly increasing number of labor-saving machines will keep up to the requirements of inventive ingenuity, he cannot escape the conclusion that the effect will be to create two societies. "The one doubtful sign, it appears to me," he says, "as regards the future, is pointed at by the qualification implied in the words, the human being *who really belongs to the new society*. It may possibly happen that there will be an increase, or at least a non-diminution, of what may be called the social wreckage. A class may continue to exist and even increase in the midst of our civilization, possibly not a large class in proportion, but still a considerable class, who are out of the improvement altogether, who are capable of nothing but the rudest labor, and who have neither the mental or the moral qualities fitted for the strain of the work of modern society."\*

This was written in 1889, and it shows clearly that Sir Robert Giffen, in common with other English economists and some Americans of their way of thinking, underrate a growing evil, but what is more pertinent to this discussion, they overlook the fact that the benefits which workingmen in the existing condition of affairs derive from the invention of labor-saving machinery are necessarily of a transitory character. There is no doubt that for a period after the introduction of machinery which greatly reduces the labor involved in the production of a certain article the wages of those employed in the manipulation of the machines will be much higher than those received by the hand workers formerly engaged in the production of the same article. But when the number of people capable of working the machines is multiplied, and the social wreckage referred to by Sir Robert Giffen is increased, wages will diminish.

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\*Giffen, Gross and Net Gain of Rising Wages, Contemporary, December, 1889.

Recurring to the illustration of nail making machinery, can any one doubt that the effects of the substitution of machine for hand work in their manufacture in England will add to the social wreckage of that country? The cost of the production of nails may be reduced to a figure which will enable the British to successfully compete with the well established nail making industry of the United States, and the wages of the men who run the machines will for a time be higher. But unless the English people make up their minds to support the whole of the social wreckage of the nation at the public expense, a steady if undirected pressure will be exerted which ultimately will bring down the wages of the machine worker to a lower level than that which marked the employment of hand workers.

This being the case, it must be admitted that the suggested remedy might prove worse than the malady. The comparatively few workers retained would for a time enjoy increased wages, but the majority would become social wrecks. Schloss, commenting upon the answer of certain "sweaters" to the Royal Commission appointed by the British Government to examine into the affairs of the sweated industries, expresses a contrary view and says: "But if the manufacturers, who ask us to believe that the retention of the 'sweating' system is an economic necessity, would only muster up sufficient energy to erect proper factories provided with improved machinery run by steam power, then, with suitable organization, they would find it perfectly feasible to sell their goods as cheap as ever, and yet to pay decent wages to their work people."\* But to how many of them That is the question. When a machine is introduced which at one stroke cuts through twenty or more thicknesses of cloth a great number of cutters are dispensed with, not because they are incapable—for the man skilled enough to cut

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\*Giffen, Gross and Net Gain of Rising Wages, Contemporary, December, 1889.

after a pattern ought to be more than capable of attending a cutting machine—but because they are not required.

But even though the displaced workmen may be relegated to the “social wreckage” described by Giffen, they still remain a factor in the industrial problem. Their constant efforts to escape complete submergence make the unemployed ready to underbid their fellows who have been successful in entering the new society. The result of this is to lower the wages of machine operators, and the secondary effect is to make it increasingly difficult in countries where manufacturing industries have been long established to introduce labor-saving machinery. The swelling of the ranks of the “sweated” and of the illy paid classes such as those Schloss describes as working in the Midland nail industry is not the cause of an evil: it is merely a manifestation of its existence.

In spite of the airy assumptions of the economists it is impossible in practice to easily displace large bodies of hand operatives such as those working in the Midland nail works. They cannot be turned over to the cold charities of the world as they would have to be if machine nail making were abruptly introduced as Mr. Schloss suggests. The manufacturers understand this perfectly. They would cheerfully introduce the labor-saving machines if they felt that they dared do so. But they recognize the increased difficulty of dealing with large bodies of men suddenly deprived of employment, and fear for the safety of life and property promotes caution.

That this latter motive has a powerful influence no one will question who is at all familiar with the history of the Welsh tin industry, in which the introduction of improved methods of manufacture was steadily resisted by the workers, even when threatened with loss of employment through American competition. Whether Wales could have preserved her monopoly of the manufacture of tinned plates in the face of the determination of the people of the United

States to create a tinned plate industry in their own country if the mill owners had promptly resorted to the use of labor-saving machinery will not be discussed here. But it may be remarked that the effect of reducing the number of workmen employed in the making of tin plates in the Welsh mills has not conferred a benefit on those who managed to retain their positions, for it has been found that the manipulation of machines requires in many cases less skill than was needed to make plates by hand.

Mr. Schloss, disregarding experiences of this kind, asserts that the substitution of machine for hand labor always results in a permanent bettering of the condition of the workers fortunate enough to obtain employment under the changed conditions. His views, however, are not shared by members of trades unions, who have an intimate knowledge of the practical workings of such changes and know that the result is as a rule disastrous to large numbers of their class, who are forced by their operation to become part of the social wreckage.

The attitude of the members of the British unions on the question is instructive. A fair knowledge of it may be obtained from the statement of Alfred F. Yarrow, of the great English shipbuilding firm, made to a reporter of a New York paper in January, 1889, who questioned him regarding an offer which he had made through the *London Times* to the striking engineers of Great Britain. Mr. Yarrow had informed the strikers that if they would select a committee of three or four men to visit America, inspect the manufacturing plants here and make a report to their associates at home he would gladly defray the expenses of their trip. To the reporter Mr. Yarrow explained his purpose by saying: "American iron and steel workers are better paid than the English, but they do far more than proportionately better work. It seems to be the rule for each man (in America) to do as much as he can, while at home every one is afraid of injuring his fellow workman and does no more than he

has to. One noticeable thing in connection with this is the tending of automatic machines. I have seen one man in charge of several machines here, while at home it is against the rules of the union for a man to tend more than one. Consequently he is idle a considerable part of the time.”\*

There is no hint in this statement that Mr. Yarrow regarded the American workingman as naturally superior to the British. On the contrary, his offer to pay the expenses of a visiting committee of British engineers implies that he believed that it would only be necessary for such a body to report to their fellows at home that Americans were gaining an advantage because they worked more industriously, and were tolerant of labor-saving machines to bring about an instant disposition on the part of the striking engineers to accept the terms of their employers, which embodied the demand that the latter should be permitted to manage their own affairs without interference from the union so far as the regulation of machine tasks and piece work was concerned.

Mr. Yarrow is an extremely successful shipbuilder, but it is quite evident that he was mistaken when he thought that the arguments which appealed so forcibly to him as an employer would strike the engineers in the same fashion. He was generous enough, however, in his statement to assign the true cause of the British workingman's opposition to the employment of one man to attend several automatic machines, and did not, as too many do, rashly assume that it is prompted by the desire to escape work. He says plainly that the English engineers are afraid of injuring their fellow workingmen, meaning by this that they clearly recognize that the introduction of labor-saving machinery, while it ought to be a gain to society generally, really results in swelling the army to which Sir Robert Giffen referred when he spoke of the “social wreckage” created by the march of modern improvement.

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\*Schloss, *The Dearthness of Cheap Labor*, Fortnightly, January, 1893.

It must not be inferred from Mr. Yarrow's testimony that the workingman's motives are wholly unselfish. The trades union system has promoted a marvelous solidarity, and toilers under its stimulus are ready to make sacrifices for each other which have the hall mark of true heroism. But underlying the sentimental devotion to their cause is a keen appreciation of the fact that their contest is one for existence. The war of the workers against automatic machines—for that is what the refusal to permit them to be worked to their full capacity amounts to—and the struggle for a shorter day's work is due to their perception of the fact that a greatly diminished demand for workingmen operates to increase the social wreckage, and that the pressure of the latter in turn results in reducing the wages of those who attend machines.

The defect in the reasoning of those who assume that the British workingmen are irrational in opposing labor-saving devices is their failure to attach due importance to the possibilities which may flow from their general use. They concentrate their attention upon the success achieved in the United States and disregard the fact that the conditions which made this success possible are disappearing. The signs are constantly multiplying that the facilities for the production of manufactured articles in this country are rapidly outstripping effective consumption. The fierce labor wars witnessed at short intervals, the growing strength of the unions and the recurring periods of depression in the United States indicate that we are making startling progress in the direction of a state of affairs which will, if there is no improvement in the distributive system, compel American workingmen to adopt the same attitude toward their employers as that assumed by the British workingmen.

If the theory of the economists who preach the doctrine of the greater efficiency of labor were sound we might hope to escape the difficulties which confront us. But there is no foundation for the assumption that American workers differ



essentially from those of other countries. That they are now willing to exert themselves to the utmost is probably due to the circumstance pointed out by an acute English observer that the United States is still a country of possibilities. This writer remarks: "Life here (in the United States) has a vigor about it wholly unknown in Europe. The contrast between the slow dalliance of the British, French or German laborer starting for a day's work with the impetuosity and absolute disregard for personal safety in the rush which characterizes the competing classes here is very striking."\* This state of affairs is due to the belief of the bread winner in America that he may hope to better his condition. It is the opinion of this foreign critic that it is this hope that induces workers in America to accept heavier tasks than common abroad. "Europeans," she says, "soon discover that there are very few, if any, stereotyped positions as there are in older countries." But the "elastic possibilities which foster effort and ambition and make success an honorable thing worth striving for and valuable when attained"† stimulate the American worker to accept the new and to some extent harder conditions, and to feel that he is not imposed upon in doing so.

How long this feeling can survive in the United States is a question worth considering by those who entertain the view that the beneficent results attending the introduction of labor-saving machinery must outweigh the admitted evils which follow the displacement of large bodies of workers, and by those economists who hold to the opinion that this country enjoys a marked advantage over others in the possession of a population of workers capable and willing to exert themselves to the utmost. If there is ground for the belief that the development of the facilities of production have outstripped effective consumption we should not shrink

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\*Yarrow, Alfred F., Interview with in New York Herald, Jan. 9, 1898.

†Runtz, Rees, Wage Values in America, Westminster, July, 1890.

from contemplating the possibilities or attempt to lull ourselves into a feeling of false security by accepting theories as untenable as those embodied in the "efficiency of labor idea." It would certainly be a mistake to assume that any of the feats accomplished by American workingmen cannot be imitated by Englishmen or their continental brethren. The virtues pointed out by Mr. Yarrow as giving the American shipbuilder an advantage over his British competitor may be easily adopted. The trades unionists of Great Britain are not entirely unamenable to reason. They are doing all in their power to prevent the increase of "social wreckage," but they are not uninfluenced by the argument that their resistance to the innovations they dread may result in worse disaster to them than the pauperization of a part of their number, and they show a disposition to yield. It was the apprehension created by the obvious encroachments upon various branches of the British machine manufacturing industry by Americans and Germans which in 1898 forced the striking engineers of England to submit, and the same fear will doubtless have the effect of compelling further concessions from the unions.

But in making these concessions the workingmen do not deceive themselves. They foresee the result far better than Messrs. Schoenhoff, Schloss, Giffen and others, who persistently refuse to give due consideration to the probable reactionary effect of the constant increase of the submerged class, from which the army of the sweated is recruited. As previously pointed out, the existence of an excessive population in England ready to accept the exacting conditions imposed on the nail makers is a constant menace to what some erroneously term the higher forms of labor. Experience has abundantly demonstrated in England that the competition for employment in factories where machinery is used is excessive, and that in spite of the efforts of trades unions to secure for their members as large a share of the fruits of their industry as possible the advance in wages bears

no proportion to the enormous increase of production resulting from the substitution of machine for hand labor.

Sir Robert Giffen, although he makes a strong argument to support his contention that society generally has been the gainer by the introduction of labor-saving machinery, admits that "workmen in particular employments do not get a reward at all in proportion to the increase of production in those employments." He cites the familiar cotton mill in which "a single attendant on a number of machines will 'produce' as much in an hour as formerly in a year or two, but his wages are only double—or perhaps not quite double—what they were when the production was so much less. A great steamship supplies another illustration. The ship does many times the work which could have been performed by the sailing ship it has displaced and with much fewer men in proportion to the tonnage conveyed. But the wages of the average member of the crew are again only double, or not quite double, what they were when the conveyance done was so much less. In these and similar cases who gets the benefit of all the increase of production? The workmen in the particular employments concerned receiving only a fraction of the gain may be excused for suspecting that there is something inexplicable in these social and economic arrangements by which the benefit is spirited away from them."\*

Avoiding all reference to the effects on society in general and confining the discussion to the question whether the workingman, reasoning from past experience, can look forward to the further use of labor-saving machinery to improve his condition, it must be admitted that the prospect for him is by no means so encouraging as the optimistic originators of the efficiency of labor theory would have us believe. If the effect of the additions to the world's facilities for dispensing with human handiwork have been as described, what reason is there to suppose that the further enlargement which

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\*Runtz, Rees, *Wage Values in America*, Westminster, July, 1890.

is going on in an almost geometrical ratio will benefit the toiler?

As yet the disposition to employ every conceivable labor-saving device without regard to consequences has only manifested itself in the United States. What will happen when the methods are generally adopted which have been tolerated in this country, largely because up to the present time, in spite of the rapid development of manufactures, it has been found impossible to meet the demand of an entrenched market except by a resort to the most rapid means of production? There is no ground for assuming that the introduction of nail making machinery into England would not be followed by the adoption of similar or even more improved processes in Belgium, Germany, Russia and the Orient. The result would be an enormously enlarged output without a corresponding enlargement of the world's consumptive ability. The displaced handworkers would join the rapidly increasing army of the submerged, while the number of human beings who belong to "the new society" pictured by Sir Robert Giffen would relatively diminish. The active contingent in "the new society" would inevitably be subjected to a competition infinitely more severe than any hitherto experienced by the working classes, for, as experience teaches, difficulties of this nature are cumulative, not only as to the multiplication of their number, but in intensity.

Whatever the increased resort to labor-saving machinery may accomplish, it does not hold out the hope to working people generally that their condition will be bettered; nor, as already pointed out, is there a reasonable certainty that the survivors, those fortunate enough to escape the fate of being cast among "the social wreckage," will derive a permanent advantage unless there is a readjustment of the benefits flowing from improved processes which will give the actual worker a greater share than is implied in a doubling of wages as the result of a twentyfold increase of output. And this doubling which Sir Robert Giffen says has

occurred can only be regarded as temporary, for, in spite of all the attempts to demonstrate that the workingman who escapes submergence is bettered by modern improvements, there is a growing mass of testimony that there is a steady tendency of wages, both nominal and real, to decline under the stress of the competition of the increasing number fitted to meet the exacting conditions of modern industry, but who are unable to find work.

There is an unwarranted assumption that the "social wreckage" described by Sir Robert Giffen represents incapacity. Sir Robert himself says that "a class may continue to exist and even increase in the midst of our civilization, possibly not a large class in proportion, but still a considerable class, who are out of the improvement altogether, who are capable of nothing but the rudest labor, and who have neither the moral nor the mental qualities fitted for the strain of the work of modern society." How did Sir Robert obtain the information which enables him to pass so harsh a judgment on the "social wreckage" of modern industrialism? How does he know that there is a lack of capacity? How can any one affirm that men are incapable when the conditions are such that it is impossible for them to obtain an opportunity to demonstrate their capacity?

No doubt the army of the submerged contains a large number of inefficient, but how many of them have been made so by circumstances? There is no more erroneous idea prevalent than that which credits workingmen who have been fortunate enough to retain jobs while their comrades were relegated to the social wreckage with being exponents of the truthfulness of the theory of the survival of the fittest. A personal experience of the writer convinced him of the fallacy of this too common assumption, and it may be related as being typical of the process and the results which follow the introduction of the labor-saving machines. In the year 1895 the proprietor of the newspaper under the supervision of the writer concluded to introduce the linotype

machine into his composition room. Being desirous of retaining as many as possible of the printers in his employ at the time of the innovation he concluded to bear the burden of educating the force necessary to manipulate the machines. No experts were employed, but the old hands, under the tuition of one or two moderately expert men already working for the paper, learned to run the machines. There were seventeen machines introduced, and they were capable of performing the work of at least fifty compositors. It therefore became necessary to make a selection from the force. It was soon discovered that the man who had been a dexterous typesetter would experience no great difficulty in manipulating the keyboard of the linotype; or, to put it in another form, the whole corps of printers, had they been afforded an opportunity, could have achieved a greater or less degree of success as linotype operators. The matter finally resolved itself into a question of selecting those who had been longest in the service of the paper or who had in some manner or other shown devotion to its interests. The men displaced by the machines, had they been fortunate enough to secure a job, would doubtless have shown as much efficiency as those retained, but they were compelled to seek new fields for their labor, or, failing in that, to join the social wreckage.

It is not venturing much to say that the illustration furnishes a complete disproof of the theory that the members of the social wreck owe their misfortunes to their own incapacity. The linotype is a complicated machine requiring a high degree of skill in its manipulation; yet it was found that an average body of men, accustomed all their days to the performance of an essentially different character of manual work, could speedily adapt themselves to the new requirement. Had it been a mere substitution of machine for hand labor not requiring a reduction of the force of workers there is no doubt that every one of the printers referred to could have fitted himself for the change. This negatives the idea of survival of the fittest and shows con-

clusively, in this case at least, that the matter resolves itself into one of elimination. The machines enabled the employer to dispense with a certain number of men and he availed himself of the opportunity. The economists assume that the displaced find new grooves to fill, but the testimony is overwhelming that a constantly increasing number are entirely excluded from the "new society" and forced to become part of the "social wreckage," not, however, without struggling against the hard fate imposed upon them. The struggles of the excluded take the form of securing employment at any price, and their vain efforts to save themselves from complete submergence have the effect of reducing the wages of those fortunate enough to retain employment.

It is the perception of this fact, that the "social wreckage" is a constant menace to the workingman, that makes trades unionism so strong in Great Britain and is responsible for that attitude of hostility to automatic and other labor-saving machines which does not manifest itself in open violence, but takes the form of an attempt to minimize the value of the improved machinery by preventing its thorough utilization. The workingmen of Great Britain are convinced that the effect, so far as they are concerned, of the use of the ingenious machines which do the work of five men is to diminish the number of workers and to intensify the struggles for the positions that are left. They do not accept the optimistic view of the Schoenhoffs and the Schlosses that their class will benefit in proportion as productivity is increased. They have the evidence of a twenty-fold increase of output and a wage scarcely doubled confronting them, and they cannot be induced to shut their eyes to the fact that the army of the unemployed is being daily reinforced, nor can the individual worker get rid of the fear that he too may any day be forced to join its ranks.

This fear is not likely to be diminished by the success of the employers in the recent strike of the British engineers. The triumph referred to will have the practical effect of

suspending for a time the efforts of the unions to interfere with the introduction and more extended use of labor-saving machines, but the advocate of the efficiency of labor theory will hardly point to it as corroboration of the soundness of his views, for the submission of the engineers was only secured when the fact was made clear to them that unless they submitted to the conditions which they deemed onerous the Germans, Belgians and Americans would take away British trade and thus leave them without an opportunity to earn a living on any terms. It was a case of the acceptance of half a loaf rather than do without any bread at all, and is in no sense to be regarded as a recognition of the soundness of the contention that the freer use of labor-saving machinery is beneficial to the working classes. And it may be added that no sensible observer of the struggle now in progress believes that those who retain their places after the process of elimination which must follow the compulsory attendance by British workers of more machines than formerly will be benefited by an increase of the wage scale.

There was no pretense throughout the long and bitter fight that such would be the result. On the contrary, it was distinctly stated on behalf of the employers that they were forced to the course they took by the pressure of competition. They were compelled, they said, to meet the lower wages, longer hours and better methods of foreigners by what amounted to a practical reduction of the wages of British workers. This being the case, it is idle to hold out the hope that the increased productiveness due to the still larger employment of automatic machinery will result in a higher wage scale. Experience shows that even those fortunate enough to secure an increase cannot look upon their gain as permanent; the ever increasing competition forbids any such thought. It points rather to increased difficulty in retaining work and diminished compensation to the worker.

This is how the American worker is beginning to look



at the matter. It is possible that for some time to come he may feel the spur of "possibility" and respond to it, but as the chances of bettering himself decrease the stimulus to exertion will disappear and he will become more and more like his fellow in Great Britain. His pace in that direction will be accelerated if the barriers of protection are thrown down and he is forced to meet the whole world on even terms. By diminishing the area of competition the American worker is relieved of part of the pressure and the rewards for his toil are larger. The non-productive consumer, who, under the law of universal competition, benefits without contributing to the increase of productivity, is forced by the protective tariff of the United States to assist in stimulating the worker to increased exertion by being compelled to pay higher prices than he would be obliged to if there was anything like an approach to uniform development of manufacturing throughout the civilized world. Withdraw this stimulus and allow manufactured goods to come in freely from all countries and the result would be an equalization of the conditions of the workers. And it would not be, as the efficiency of labor theorists assume, in the direction of a general lifting up; on the contrary, the working people of the nations willing to accept the least remuneration would set the pace for all others.

## CHAPTER XIV.

### PRODUCTION AND CONSUMPTION.

#### THE GROWING TENDENCY TO OVERPRODUCE AND ITS CONSEQUENCES.

Rapid development of industrialism—The menace of a general glut—Overproduction the subject of a British inquiry—Competition results in depriving producers of a fair profit—Excessive production in the United States—The ability to produce enormously exceeds the effective consumptive demand—Development of manufactures likely to proceed more rapidly in the future than in the past—Growth of the world's iron industry in thirty-six years—Overproduction compels the unloading of surpluses on foreigners to preserve the home market—Free trade does not establish equal conditions—Problems called into existence by a general determination to promote industrial development—Labor-saving machinery that produces enough in a few days to supply the effective demand for a year—The hope that the Orient would afford a dumping ground for the surplus of Western manufacturing nations gradually declining—Attitude of protectionists towards competition—The doctrines of Malthus and their relation to modern economics—The middleman a sufferer from excessive competition—The markets of the world and overproduction.

In the two preceding chapters it was shown that modern political economists in an effort to bolster the teachings of Cobdenism deluded themselves and their followers into believing that the ability to develop a high form of industrial organization was confined to a few nations. The error of the assumption that the advantages enjoyed by certain nations today is due to racial superiority was exposed by citing facts from history which show that the world is in a constant state of industrial evolution, and

that the backward peoples of one period are in the van of progress in the next. An examination was also made of the causes which contribute to the ability of the people of some countries in the present day to produce more cheaply than others, and it was disclosed that any superiority displayed was not due to natural capacity, but was the result of acquired skill or a willingness on the part of the successful to put forth greater exertions than rivals. It was also shown that the stimulating effect of the introduction of labor-saving machinery soon loses its force and that workingmen speedily assume a hostile attitude towards innovations. When the toiler discovers that the benefits of the improved labor-saving devices are almost wholly engrossed by those who do not toil there arises a tendency on his part to hinder rather than promote the efficient working of automatic and other devices for dispensing with the use of hand labor.

In this chapter an effort will be made to show that this tendency to interfere with the use of labor-saving devices must be greatly increased unless some means can be discovered by which the benefits resulting from the saving effected may be more evenly distributed. The purpose of the inquiry is not to exploit socialistic theories, but to expose as fully as possible the fallacy which underlies the idea that the workingman can hope for relief from the danger of non-employment which constantly confronts him by intensifying competition.

We have seen from the quotations submitted in discussing the question of the ability of men of average intelligence adapting themselves to the manipulation of labor-saving machinery that certain economists hold the view that the adoption of the most highly developed forms of saving energy by the manufacturers of a nation is all that is necessary to insure the prosperity of its working people, the theory being that the ability to produce on the same or better terms than rivals is all that is required to bring about

such a result. But this theory takes no account of the fact that if the nations, which are merely aggregates of units, exert themselves to the utmost they must intensify the evil of overproduction. If individuals competing with each other in a few countries with highly developed industries can bring about the result noted by Sir Robert Giffen, of relegating a large proportion of their fellow creatures to a condition described as "social wreckage," what will follow when all the nations now animated by the desire to join the march of improvement have succeeded in establishing manufacturing plants capable of supplying their own wants and a surplus for export?

That many nations now dependent for supplies of manufactured articles upon the countries foremost in the modern industrial development are capable of reaching the stage of self-dependence in a comparatively brief period no competent observer doubts. Even those who have leaned to the idea that the remarkable superiority in manufacturing industries displayed by Western peoples is evidence of their special fitness for such pursuits are occasionally betrayed into admissions fatal to the assumption that a competitive contest, in which the whole world may take part, will prove beneficial to mankind. Indeed, if the views of the free traders are narrowly examined it will be seen that the hope of the Western world remaining supreme industrially is based on the expectation that some nations will always continue in a state of dependence.

There has until recently been a firm belief that there would always be an increasing external market ready to absorb the surplus of those countries capable of producing in excess of their own needs. The foremost exponent of the free trade idea in the United States in 1892\*, and the author of a bill designed to give this country a tariff system resembling that of Great Britain, in a speech advocating his measure expressed the conviction that any sacrifice

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\*Mills, chairman House Committee on Ways and Means.

of the home market which might result from the operations of his revenue scheme, if it were carried into effect, would be more than compensated by the gain of foreign markets. His contention was not that we should be enabled to increase our exports of agricultural and similar products and thus offset the loss which would follow the surrender of part of our home market to the foreign manufacturer, but he urged that the effect of striking down the protective barriers would be to put us in a position to compete with other countries for the trade of those peoples who were supposed to be incapable of developing a manufacturing industry of their own.

In another place the extent of the markets of countries showing no disposition to manufacture for themselves will be discussed and the possibility of any very considerable enlargement of them will be investigated, but our inquiry here will be confined more particularly to the ascertainment of the capabilities of what may be termed the surplus nations. The results have in a measure been foreshadowed in the chapters in which the fact was made apparent that when a people is once inspired by the desire to achieve industrial independence there are no obstacles in the way of their doing so, provided the natural resources exist. The lack of capital and skill may be overcome with comparative ease. The experience of the United States proves this, and Russia is to-day furnishing an illustration of what can be accomplished when the determination is reached to develop latent resources. In the passages devoted to describing the effects of the introduction of labor-saving machinery we also had a glimpse of the possibilities. It was shown that the ability to manipulate complicated machines could easily be acquired by workmen of ordinary capacity, and the natural inference to be drawn from this is that there are absolutely no bounds to the productivity of such machinery except the inability of the world to effectively consume.

This is a phase of the question which has not received the attention it deserves. The professional economist has assumed, in spite of the constant practical denials of his theory, that such a thing as overproduction is impossible. It may be admitted that there is something incongruous in the statement that there is an almost constant overproduction of manufactured articles concurrent with a crying demand for them which is never satisfied. But with this unsatisfied demand we have nothing to do at present, and so far as can be seen the practical economist will not have much to do with it until the competitive system is completely overturned. We are now dealing solely with the phenomenon which Professor Rogers considered in a lecture nearly ten years ago, when he said: "Supply may be in excess of demand, and prices may fall below what is remunerative. Such a state of things, if we can believe the complaints which have been made, and were loud and persistent enough to secure a hearing from a Royal Commission, was characteristic of British production and trade pretty universally up to about a year ago (1888) and induced many persons to seriously doubt whether the speculative economists were, after all, in the right when they repudiated the possibility of a general glut. \* \* \* It seems that the beneficent operation of competition is at an end, and that if the existing body of producers is to exist some other expedient is to be adopted by which a fair profit can be gained by a national industry."\*

Since these words were uttered by Professor Rogers there has been no improvement in the situation. The tendency which he noted in Great Britain has manifested itself in a country which has scarcely more than entered on its career of manufacturing industry and which has possibilities in the form of undeveloped resources immeasurably

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\*Rogers, *Industrial and Commercial History of England*, p. 377.

surpassing those of the hitherto most successful commercial nation of modern times. During the years between 1892 and 1897 the United States suffered as severely from the effects of production in excess of the ability of its people to effectively consume as Great Britain. There was no increase of production during these years; on the contrary, there was a striking diminution. The output of pig iron, which had reached 9,157,000 tons in 1892, fell to 6,657,388 tons in 1894 and in 1896 was only 8,623,127. The iron industry fairly reflected the condition of American manufactures during the period in question. They all showed a marked reduction of output due to a declining demand.

To examine the theories put forth in explanation of the diminished consumption would cause a digression which would divert attention from the point which the writer seeks to emphasize—that under existing conditions of distribution the facilities for manufacturing are enormously in excess of prospective effective consumption, and that these facilities are constantly being added to without any corresponding effort to enlarge the effective demand. Recurring to our illustration, we find that the production of pig iron, which dropped to 6,657,388 tons in 1894, in 1897 rose to 9,652,680 tons, and it is confidently believed at the time of this writing that the output of the United States in 1898 will reach and perhaps exceed 12,000,000 tons. The only inference to be drawn from this sudden expansion is that the ability of the United States to supply the demand of its people for iron has reached the surplus stage, and when we examine the table of exports we find the inference supported by figures showing that this country has iron to spare in abundance.

But the United States is not the only country possessing abundant mineral resources and a disposition to develop them. An English writer, in a recent discussion of the subject of industrial supremacy, answering a question pro-

pounded by himself, said: "Is it probable that the United States are possessed of natural resources so exceptional \* \* \* that they are not likely to be seriously threatened by the competition of other and newer countries in the not distant future? My own investigations lead me to the conclusions that no single country has thus been endowed by nature and that the mineral wealth of the world is distributed over so wide an area that no single country can hope to enjoy supremacy in so widely diffused an industry as that of the manufacture of iron and steel for a long period—long, that is, as periods go in the history of the world. It may be that to-day the industrial situation of the United States, or of the United Kingdom, looks impregnable, but it is always much less so than it appears to be.

"It is not many years since I was confronted with figures which appeared to prove with convincing relevancy that the cost of the production of iron in Nova Scotia would be less than on any other part of the American continent. I enjoy a fairly considerable acquaintance with the mineral resources of New South Wales \* \* \* and it would not surprise me to learn that, with the iron ore resources of Carlo's Gap, Picton and other parts of the colony, and the large coal fields near at hand, iron could be manufactured in that distant colony as cheaply as in any part of the world. Then, again, everyone is looking forward to the possibility of a considerable development in the not distant future of the mineral resources of British India, of China, of Siberia and of Japan. So far as India is concerned, I have examined a number of volumes of memoirs of the geological survey of the empire and cannot fail to be struck with the evidence which they afford of vast mineral wealth, alike in coal and in iron ores, scattered with bountiful profusion over very wide areas. The demand for metals is not yet large enough in India to justify a large metallurgical industry, nor is it by any means cer-



tain that such a demand will speedily come about; but that under suitable conditions India could manufacture iron and steel cheaply scarcely admits of a doubt. Of China and Japan but little need be said, because, while both countries are at the present time engaged in building iron and steel works, no export trade from either is likely to be developed for many years.

“Matters, however, are much more likely to ripen into a competitive trade in some European countries, and notably in Spain and Russia. \* \* \* I had the pleasure of going over a number of Spanish iron and steel works only eighteen months ago, and I confess to having been surprised at their mechanical and economic circumstances. If Spanish coke of good quality can be delivered at either Bilbao, Arles or Rinaldes at sixteen shillings per ton I can conceive of no good reason why pig iron, both hematite and basic, should not be made for twenty-eight shillings a ton, at which rate it would be the cheapest pig iron in Europe, except that produced, on a comparatively small scale, under very exceptional circumstances, by the Peine Iron Company near Hanover, Germany.

“So far as Russia is concerned, it seems almost absurd to speak of an empire that is now importing about three-quarters of a million tons of iron and steel annually from other countries as likely to enter the ranks of competing countries within a period of time worth taking account of. As a matter of fact, however, Russia may be much nearer to the attainment of this position than is commonly supposed. One can only guess at some of the geographical and economic results that are likely to follow upon the opening of the trans-Siberian railway. It is well known that Siberia is a country rich in minerals of every kind, and although the present population is almost ridiculously small for such a country \* \* \* still the advent of railway facilities must make a momentous change in the relations of Orient and Occident. Leaving this for the mo-

ment, however, I happen to be aware of a project now on the *tapis* for erecting large iron and steel works between the Caspian and Black seas, which are intended to supply the requirements of a large part of Turkey and Persia, as well as of a certain area in Russian territory now insufficiently provided for; and in one or two other centers aggressive ideas begin to be entertained.”\*

These observations, proceeding, as they do, from one of the best modern authorities, a man of large practical experience and a free trader, convey the impression that the future development of the iron and steel industry may be expected to surpass that of the past. In summing up, Mr. Jeans says this will undoubtedly be the case. He adds: “The present annual output of pig iron throughout the world is about 32,000,000 tons; in 1880 it was only about 18,000,000 tons; in 1870 only 12,000,000 tons, and in 1850 less than 5,000,000 tons. If the same rate of increase is maintained in the future, our annual consumption of pig iron in 1916 will be 46,000,000 tons and in 1934—a date within the probable existence of most of the young engineers and metallurgists now living—it will be more than 60,000,000.”†

It is well to proceed with caution in expressing an opinion of the possibilities of the future, but it is not unreasonable to assume that the consumptive demand of the world will not increase in any such ratio as that suggested by Jeans. While iron and steel are not entirely imperishable, their durability is sufficiently great to warrant our supposing that when the world is measurably well supplied with railroads and with structures largely composed of iron and steel the demand for these metals will to some extent be abated. In the United States the requirements

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\*Jeans, *The Shifting Site of National Industrial Supremacy*, Engineering Magazine, April, 1898.

† *Ibid.*

of the railroads have been as high as 2,271,471 tons of steel rails in a single year, but this demand was largely due to new track-laying. In subsequent years, although construction was not entirely suspended, the demand for rails fell off greatly. In 1893, although nearly two thousand miles of new tracks were laid, the consumption of rails was only 1,119,813 tons. It is very probable that many thousand miles of additional road will be added to the existing railway system of the United States between now and 1934, but it is inconceivable that the additions will be as large as those made during the thirty-six years preceding 1898. In 1862 the railroad mileage in the United States was less than 28,000 miles; at the end of 1895 it was 179,162 miles. Does anyone fancy that the future will witness an average construction in this country of nearly 5,000 miles annually? Hardly. If one-half that much track is added during the coming thirty-six years we shall commit the blunder of providing ourselves with unnecessary facilities, which will add to the difficulties of an already serious problem and greatly increase the cost of transportation.

When we inquire regarding the possible demands for iron and steel for structural purposes the idea that it cannot increase in the progressive fashion Mr. Jeans suggests is forced upon us. At present the requirement for tall buildings is tremendous, but there is already noticeable a tendency to discuss the question of, Where are all the tenants to come from to fill the "sky scrapers" added each year in our large cities? In New York and Chicago the completion of a new tall building with slightly better accommodations than those already in existence is the signal for tenants to desert the less modern structure. The competition has become so great that in spite of the limited area of New York City there is no increase in office rents and capitalists are complaining that they are not receiving adequate returns on their investments in prop-

erty of this character. So, on the whole, we may conclude that while many tall structures will be added to those already in existence the addition will not be great enough to help swell the consumptive demand for iron and steel to such figures as would be required to bring our proportion of the increase of the world's consumption up to the mark indicated by Jeans. As in the case of railroads, in which the demand for rails diminishes as the country is supplied with roads, so must the demand for steel structural purposes grow less when the cities of the country are well provided with large structures for office and other purposes, for the fact must not be lost sight of that a well constructed edifice with a steel frame is likely to endure a hundred years or more; perhaps the longevity of such buildings may rival that of the best structural survivals from the Middle Ages.

There are other directions in which the use of steel and iron may be increased, notably in the construction of bridges and in the manufacture of pipes for conveying gas and water and oil and in shipbuilding. That the demand from these sources will be considerably enlarged in the United States and in other countries in the future cannot be doubted, but it is certainly questionable whether the increase in this particular will reach the colossal proportions it would have to in order to help create an annual consumption of 60,000,000 tons of iron and steel. A modern steel bridge, if properly constructed, will endure for many years; so, too, will pipe lines; therefore, when the needs of a country are once fairly supplied in these particulars the demand for material for new construction must abate. In the case of steel ships there is no probability of any extraordinary expansion of demand. The signs all plainly point to a redistribution of the ocean carrying trade of the world rather than to simultaneous development of the shipping industry in every country. It is clearly apparent that the business of shipbuilding is now overdone. That is shown

by the fact that the carrying industry, while its aggregate earnings are enormous, is not a very profitable one. In some countries it can only be kept alive by extending bounties to shipowners for maintaining and running vessels which could easily be dispensed with. In order that the demand for ships should be greatly enlarged it would be necessary to still further extend the wasteful system of unnecessary hauling now in vogue, but there is no probability that that will be done. The system of protection, as it becomes better understood and is more generally practiced, will reduce this waste to a minimum. Mr. Jeans' observations on the wide diffusion of the metals pertinently suggests what may happen when the owners of some of these at present undeveloped resources conclude to develop them for themselves rather than remain dependent on foreigners for supplies which they might obtain at home. In the face of such development there may be an increase of external commerce, but it is inconceivable that it should be relatively as great as that hitherto noted which has been largely due to a practice analogous to "hauling coals to Newcastle." A rational exchange of non-competing products will demand fewer ships than are now used in the unnecessary transportation to and fro of raw materials and finished articles and for the moving of the vast quantities of coal now required to supply vessels engaged in an entirely superfluous trade.

But, apart from these assumptions, which may prove erroneous because too much dependence is placed upon the belief that the disposition to eliminate wastefulness in transportation will take a practical form when its evils are clearly apprehended, it may be argued that even should there be such a development of demand for the products of iron as the production annually of 60,000,000 tons implies, the world will, for a time at least, be abundantly able to provide such a quantity, and the indications are that the ability to supply will in the future, as in the past, constantly exceed the effective consumptive demand. Such a prospect

is not calculated to fill with hope those who realize that the modern system of production is conducive to the creation of a vast social wreckage, and it will encourage those who hold the opinion that unrestrained competition is an evil to persevere in their determination to restrict its area, and thus in a measure abate it.

Those who adhere to the view that the world is not benefited by absolute free trade will hardly abandon it when they realize what may happen from the extension of a system which has been introduced into Germany and which meets with great favor in this country. It is not novel, for, as we have already seen, the method was advocated and practiced with marked success by Great Britain during the first half of the present century. Reference is made to the practice of unloading upon rivals the surplus products of manufactures at a lower price than that which rules in the home market. A double purpose is accomplished when this is done. The ruinous effects of excessive internal competition are avoided, and the rival foreign manufacturer is obliged to produce at a loss or retire from the contest unless the artificial barrier of protection is interposed. A successful resort to this plan by the British early in the present century forced the Americans, who were also inclined by the desire to promote the development of their own resources to impose high tariffs. The stimulus afforded by a protection which was afterward maintained with more or less effectiveness has called into existence vast manufacturing plants whose productive capacity now exceeds the effective demand. A similar condition of affairs exists in Germany and it has been brought about in nearly the same fashion. Both countries are now producing in many lines considerably in excess of their needs and they are imitating the example set by Great Britain when its manufacturers imagined that they could retain the control of the trade of the world.

Mr. Jeans has described what is being done along these

lines and taunts his countrymen with their inability to resort to the same course. His language has been quoted in another place, but it will bear repetition here, as it emphasizes the point which protectionists always keep in mind—that the tendency of the world under present conditions is to overproduce, and that the national welfare demands that steps be taken to guard working people against the encroachments of an unfair competition. Mr. Jeans says: “The customs duties levied on the imports into Germany, for example, protect the German manufacturer from competition in his own market, so that he can always depend upon securing within the limits thereby prescribed a satisfactory price from his home customers. \* \* \* The home business, in short, is made so profitable that manufacturers can afford, if necessary, to lose on export orders, which they often do, for the double purpose of building up trade and keeping their manufacturing establishments and their workmen fully employed. \* \* \* Of course, in so far as Germany, or any other country, sells in neutral markets at less than cost it is not fair competition. It could be effectively met only by the adoption elsewhere of a similar economic system, which, however, cannot be looked for in England, wedded as she is to free trade, whatever consequences that system may involve.”\*

Mr. Jeans treats this movement of the manufacturers of Germany and the United States as a novel and unfair mode of competition, but we have seen that as early as 1816 Lord Brougham said: “It is well worth while to incur loss upon the first importation in order, by the glut, to stifle in the cradle those rising manufactures in the United States which the war had forced into existence, contrary to the natural course of things. Eighteen millions’ worth of goods, I believe, were exported in one year, and for a considerable part of this no returns have been received ;

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\*Jeans, Supremacy in the Iron Market, Engineering Magazine, December, 1897.

while still more of it must have been selling at a very scanty profit.”\*

There is no essential difference in the plan pursued by the German and American manufacturers of to-day and that adopted by the British manufacturer in the early part of the present century to stifle the growing industries of the United States. When Lord Brougham delivered his speech the factories of Great Britain were turning out more goods than the British people could profitably consume, therefore they resorted to the expedient of unloading their surplus upon foreigners, the object being to keep up prices in the home market and, at the same time, by underselling would-be rivals, make it impossible for them to compete.

Mr. Jeans characterizes this unloading of surplus stocks as unfair, and so it is; but it would puzzle him to give many instances of fairness in commercial competition. There is no attempt, so far as we can see, to conduct industrial contests fairly, and it is misleading to discuss the matter as though such a spirit prevailed. When we speak of a fair race between men or horses we have in mind equal conditions. If equality does not exist primarily pains are taken to bring it about. No one would say that a race between two men in which one had several hundred yards the start of the other was a fair one, or that a contest between a rider on a bicycle and a man afoot displayed the abilities of the contestants. But there are writers, and Mr. Jeans appears to be one of them, who do not hesitate in treating the subject of industrial competition to assume that *laissez faire* makes everything even. If there is no government interference, say these economists, then all is fair. If there is free trade that settles the matter. Then, according to their theory, everyone has a show, and those who lag in the race have only themselves to blame. They disregard the advantages which the possession of capital and

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\*Brougham, Speech on the Signing of the Treaty of Peace, 1815.



acquired skill confer and assume that those who have neither the one nor the other deserve to be relegated to the limbo of eternal dependence. Their motto is "To him that hath shall be given," and they resent all attempts on the part of those who seek to emancipate themselves from dependence as violations of natural laws, as though the economy of nature contemplated the monopoly by the few of all the good things of the earth.

Such puerile views could not be accepted by people with a capacity for improvement, and as this capacity exists throughout the whole world, even among the nations in which a temporary arrest of development has occurred, the narrow and selfish policy of Cobdenism has made no headway. Instead, it is antagonized by a more enlightened kind of selfishness which teaches that it is the first duty of a people to develop their faculties and resources, and that it is worth while to make great sacrifices to attain a position of commercial and manufacturing independence. Adherence to a policy of this kind has resulted in the destruction of the Cobdenistic idea that one nation could be the workshop of the world, and is rapidly converting the world into one vast workshop.

The outcome must prove beneficial to mankind, but it will bring new problems for solution. If one or two nations with a practical manufacturing monopoly found themselves capable of producing in excess of the needs of the world what will happen when many peoples, with infinitely greater resources, attain a high state of industrial efficiency? If Great Britain found it difficult during the period when she controlled the iron markets of the world to secure enough customers to consume her products what will result when Germany, Russia, the United States and other countries whose possibilities have been outlined by Mr. Jeans produce surpluses as great as those of the British and begin seeking customers for them? Some signs of the trouble likely to be experienced are already perceived, and they

do not encourage the hope that the consumptive ability of mankind will keep pace with increased powers of production. On the contrary, there is overwhelming evidence in the shape of falling prices and carry-over stocks that the evil of overproduction will be greatly intensified, and that in the eager struggle more and more people will be drawn into the vortex described by Giffen as the social wreckage of the world.

We have taken the expansion of the iron and steel industry for our text because the progress made in its development conveys an unexaggerated idea of the possibilities which may follow the general diffusion of mechanical skill. In sketching the advances made in this particular branch of manufacture during the past thirty-six years, and in endeavoring to estimate the consequences of an equal development during the coming thirty-six years, we have by no means emphasized as fully as we might what must happen in the not very remote future if the capacity of man to produce is developed to its fullest extent without finding some better method of adjusting consumption to production than that which competition is supposed to effect. To bring all the possibilities into plain relief we must call attention to the fact that with the assistance of improved machinery sufficiently large supplies of some articles are now produced in a few days to meet the world's demands for a year or even for a longer period.

In 1895 a writer discussing the wage question asserted that "Pennsylvania had capacity enough in her glass works to supply the total needs of the United States." The significance of the statement is heightened when it is added that the glass industry of the United States is by no means confined to Pennsylvania, but that there are other centers of production which, uniting with those of the Keystone State, could probably in three months provide all the glass that could be profitably used in this country in a year. In a description of the growth of the electrical manufac-

turing industry in the United States we find it stated that "within the past fifteen years (1880-1895) some seventy-five factories have been started to supply the annual consumption of 200,000,000 carbon points, and that their capacity has already reached three times that figure. There are to-day (1895) twenty factories in the world with a capacity of 350,000,000 per annum."\*

This rapid expansion would undoubtedly have been greatly exceeded were it not for the fact that the patent laws operate as a hindrance. There were about 10,000 spindles employed in the cordage industry in the United States in 1895, two-thirds of which were ample to supply the wants of the country. In 1860 a machine was invented in the United States for sewing soles on shoes; with its aid a single operator can sew 500 or 600 soles a day. In 1894 there were 4,000 of these machines at work and their product was 120,000,000 pairs. The machine is patented and its use is comparatively restricted. What will happen when it is freely used?

The *Textile Mercury*, the official organ of the English cotton employers, in an article dealing with the wage question in the cotton industry (November, 1897) called attention to the grave position of the trade and asked the operatives to consider facts such as these: "While the cotton industry throughout the world is extending rapidly, the British section of it has commenced to decline, although the population dependent upon it is increasing. The exports of machinery have been steadily increasing for years. This machinery is mainly going to India, China and Japan, where women work for 6d or 7d per day and men at 9d to 10d per day. They can also work much longer hours, and in many cases the mills are working night and day with relays. Attention is also drawn to the fact that in addition to the machinery going abroad the most intelli-

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\*Martin, Article, Electrical Manufacturing Interest in One Hundred Years of American Commerce.

gent Lancashire operatives are now going out to Eastern countries, India, China and Japan, to teach the natives the new industry and to manage the mills. The operatives, with these facts before them, are asked 'to look present facts in the face, bravely encounter them, cease to harass the trade by absurd regulations and impositions, accept the reduction of wages which the circumstances demand, and thus retard the inevitable surrender of the industry to foreign competition sufficiently long to give the capitalist time to work out his investments and develop something new.'\* From another authority we derive the information that the cotton textile machinery of Great Britain, if worked to its full capacity, would be able to supply the whole world. We know that the production in this country of similar fabrics is so much in excess of the demand that the mills periodically shut down in order to relieve the glutted market, and the case is not much better in Germany or France.

Wherever we turn we find that overproduction soon follows the development of manufacturing industries. In all the countries where the modern system of manufacturing is established the people have acquired the ability to supply their own needs and are obliged to turn to other lands for an outlet for their surplus products, but the prospects of relief are not bright. A very few years ago, when the Orient was forcibly opened to trade with the Western world, it was imagined that a new and illimitable market had been found, but recent events have greatly modified this opinion, and the prospects of any considerable extension of the Oriental consumption of the products of Western factories are not now regarded as very assuring.

In the face of evidence of this kind the people of protective countries cannot help regarding with suspicion the attempts of economists who seek to convey the idea that production is satisfactorily adjusting itself to the ability

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\*Bradstreet's, *The English Cotton Trade*, November 15, 1897.

to consume. A recent writer tells us that "the recurrent exercise of the choice of the capitalist" is, on the whole, beneficial, and that "changes in the direction of greater or less expenditure, or greater or less (usually greater) accumulations, come slowly and gradually. The motive power which thus drives and controls the apparatus of capitalistic production works in the main so steadily that we forget that it consists of the collected volition of hosts of individuals, each and all of whom are free to do as they will with their own."\* This reads smoothly, but we know that it is not true. There is no more ground for the assumption that the business of production goes on steadily than there is for the writer's statement "that the machinery of production at any given time is arranged for the supply of the habitual and anticipated wants of the community," or that "the pig iron maker has a reasonable faith that his iron will be bought by the maker of machinery, and he again that his machinery will be bought by the person who means to use it in making one product or another."†

These assumptions are not borne out by experience, and there is no profit to be derived from the acceptance of such theories. We know that there are periods of so-called depression in which the producer is harassed with fears of the consequences of excessive production, and that they recur so frequently that attempts are made to formulate theories to explain them. Within the past quarter of a century the years of overproduction have exceeded those in which the effective demand for products even remotely approached the ability to produce. To urge that because at the end of a long period the world's wealth and productive and consumptive capacity are greater than at the beginning an economic system has proved satisfactory, even though during the interval many depressions have occurred which have caused great distress and increased the social

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\*Taussig, *Wages and Capital*, p. 62.

†*Ibid.*, p. 59.

wreckage, is as unreasonable as it would be to say that an engine which operates the pumps used for the purpose of lifting water for the use of a town is working satisfactorily even though it is subject to frequent breakdowns which result in depriving the people of their accustomed supply of water.

The advocates of protection have discovered the defects in the system of unrestrained competition here referred to and seek to guard against them as much as possible. They freely admit that when the conditions are equal, or nearly so, the stimulus of competition may prove advantageous, but they will not consent to the proposition that it is beneficial under all circumstances. They are not disposed to accept the doctrine that the ability to manufacture cheaply indicates the superiority of a people. They recognize that races in many respects more backward than those to which they belong may, by the aid of machinery and the practice of economies to which they are unaccustomed, succeed in reducing the cost of production to an infinitely lower point than Western peoples have dreamed of, and they also realize that, in spite of the contention to the contrary, the effect of competition between nations with established industries tends to increase the "social wreckage" and to make the condition of the worker more and more precarious.

Montesquieu quotes a Chinese saying that "an Emperor of the Tangs held it as a maxim that if there was a man who did not work, or a woman that was idle, somebody must suffer cold or hunger in the empire." Acting "on this principle, the Emperor ordered a vast number of the monasteries of the Bonzes to be destroyed."\* Modern civilization has changed the conditions the observation of which called forth from the Chinese Emperor the philosophic reflection quoted. We are no longer confronted with the necessity of all mankind constantly toiling to avert the danger of starvation. Improved machinery has effected a

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\*Montesquieu, *Spirit of the Laws*, Book VII, Chap. VI.

revolution which has staggered belief in the soundness of a doctrine which has for its basis a mathematical truism. We have come to regard with contempt the effort of Malthus to demonstrate that the population of the world may outgrow its means of subsistence. The astounding results achieved in the field of agriculture have given rise to the contrary opinion that the capability of the earth to produce can never be exceeded by the demands of man. A writer whose teachings have captivated all those who feel that they are the victims of an unjust distribution says: "I go to the heart of the matter in saying that there is no warrant, either in experience or analogy, for the assumption that there is any tendency in population to increase faster than subsistence. The facts cited (by Malthus and his adherents) simply show that where, owing to the sparseness of population, as in new countries, or where, owing to the unequal distribution of wealth, as among the poorer classes in the old countries, human life is occupied with the physical necessities of existence, the tendency to overproduce is at a rate which would, were it to go unchecked, some time exceed subsistence. But it is not a legitimate inference from this that the tendency to reproduce would show itself in the same force where population was sufficiently dense and wealth distributed with sufficient evenness to lift a whole community above the necessity of devoting their energies to a struggle for mere existence."\*

It is not necessary to determine whether Malthus was right or wrong. No practical system of economics needs to take into consideration a contingency which improving methods of production show may be averted for centuries. The application of the remedies proposed by those who have been alarmed by the possibility of the world becoming overcrowded may be safely left to the future. It will be time enough for resorts to repression of population when the

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\*George, *Progress and Poverty*, Book II, Chap. II.

world gives signs of its inability to provide sustenance for those inhabiting it. If the pessimists of the Malthusian school based their advocacy of repressive systems upon the theory that there is an excess of population which is consuming and wasting the heritage of future generations their recommendations might be entitled to respectful consideration. But their fears are not inspired by observations of this character. They are simply the result of a mathematical demonstration that at some future time there will be more people than food to feed them. If the demonstration is correct the universe will have to bear its fate, but in the meantime it will be wiser to study the opportunities the world offers to subsist immense populations than to devise plans to avoid drawing upon these resources. It is idle to brood over the danger of insufficiency when the industrial world is complaining that overproduction in every field is constantly bringing depression and disaster.

"There is no more common explanation of a general depression of trade," says a recent economic writer, "than that of general overproduction. The fallacy—if it be a fallacy—has been supported by distinguished economists. Dr. Chalmers indicates as a remedy for the supposed evil moral restraint in the pursuit of gain, and Sismondi goes so far as to deprecate the extensive adoption of machinery and inventions."\* This is the pass to which we have been brought by unrestrained competition. Instead of recognizing the true cause of our troubles we are becoming more and more inclined to the acceptance of the theory that man would be benefited by restricting production. The views advanced by Dr. Chalmers are shared by many who are unable to comprehend that the successful working of competition demands that there should be no restraint placed upon the desire for gain, and that the penalty for imposing such restraint would be industrial stagnation. But

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\*Nicholson, Principles of Political Economy, Vol. II, p. 83.



the opinion of Sismondi, as we have seen, is given practical effect by the world's toilers, who, through their trades unions, are doing all in their power to limit the use of automatic machinery in order to prevent the displacement of workmen.

The men who write books on political economy cannot hope to conceal these facts by sophistries or elaborate calculations showing that the condition of the workingman is improving. The latter has constantly before his mind the "social wreckage" which Sir Robert Giffen has pictured, and its existence is a constant menace to him. He does not know how soon he may be improved out of his job, and thus forced out of the "new society" by some piece of improved machinery or by the competition of other workmen who, in their eager struggle for existence, are ready to work for less than rivals. But above all things he dreads the possible consequences of the introduction of labor-saving machinery into the swarming countries which are now to some extent dependent upon the Western world for supplies of manufactured articles.

Experience and observation have taught the workingman that it is a fallacy to assume that Orientals cannot learn to operate machinery. He has seen them, in one American city at least, successfully invade several industries in which machinery is almost wholly employed. He knows that the Chinese manufacturers of shoes and undergarments in San Francisco could easily monopolize the trade in those articles if the barrier of prejudice did not exist, and that in spite of it they successfully compete, adding to their skillfulness day by day. Possessed of this knowledge, it is not remarkable that the workingman should regard with apprehension the growing exports of textile and other machinery to Oriental countries. He understands the full significance of such a movement, and all the talk about race superiority will fail to convince him that Americans and other Westerns can meet this new competition without

descending to the social level of the new competitors. The workingman, educated by experience, refuses to be misled into believing that the effect of unrestrained competition is uplifting. He understands that the gains the workingmen of certain parts of the Western world have made during the past fifty years were due to adventitious circumstances which are rapidly disappearing and will wholly vanish when many peoples now in a state of dependency develop their manufacturing capabilities and enter the competitive struggle.

This knowledge is responsible for the growth of protectionism among workingmen, not only in countries where it has been adopted as a national policy, but in free trade England as well, where it has assumed the extreme form of trades unionism. And the sentiment is growing rapidly among a class the workingmen have hitherto held responsible for many of their woes. The middleman, under the stress of excessive competition, has lost his sense of security. "It is estimated," says a writer in a financial magazine, "that in our large cities 97 per cent. of business men fail." He adds: "The present limited opportunities of men with small capital are in striking contrast with their opportunities thirty or forty years ago. Powerful trusts now monopolize some lines of business, great corporations have absorbed others, and large department stores have destroyed great numbers of small mercantile establishments."\* There is but a step from the perception of this fact to the recognition of that other important fact which protectionists keep constantly in mind, namely, that the possession of capital by national aggregates operates in precisely the same fashion that it does between the individuals of a nation, and that it would be as hopeless for a country with an inadequate capital to compete on equal

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\*Justi, *Hard Times and Their Cause*, Bankers' Magazine (London), September, 1896.

terms with a people with a plethora as it would for the small trader to compete with the large department stores, or an individual with a small plant to rival a great corporation engaged in the same line of manufacturing as himself.

In this country we have found that attempts to regulate trusts are nullified by the general recognition of the fact that it is impossible to draw the line at the place where competition ceases to be beneficial, but no such difficulty confronts us in determining the question whether we should or should not invoke the aid of a protective tariff to offset the advantage which large accumulations of capital and the lower compensation of labor give to foreigners. By limiting the area of competition the intensity of the evils sketched in this chapter is lessened and an opportunity is afforded to apply a remedy the application of which would be impossible if the country surrendered itself to the idea that mankind can benefit by relegating the producer to the condition of a toiler hopeless of advancement. This would be his fate if he were doomed to enter a struggle with the whole world, and thus subject himself to the necessity of competing with peoples who have through ages of privation learned to accommodate themselves to conditions which would be unendurable to men whose aspirations for something better have been aroused by education and example.

The Cobdenite responds to these natural objections by asserting that the fierceness of the competition he advocates will create wants which will increase the opportunities of the workingman and better his condition, and to support this contention he presents misleading figures and facts bearing on the commercial development of Great Britain, and by their aid endeavors to convey the impression that an experience almost wholly due to the enjoyment of a practical monopoly can be repeated when the whole world is contending for the opportunity to share in the profits of manufacturing.

The phrase "the markets of the world" has taken on a new significance since the days of Cobden. When it was first used by Englishmen it meant that there were numerous peoples who had reached a high state of development in certain directions but who had neglected manufacturing and were ready to become customers of a more enterprising nation. The opportunity to supply these backward peoples was a source of great profit so long as they remained in a state of dependence upon Englishmen, but when they formed the determination to create manufacturing industries of their own a radical change was brought about. First it manifested itself in a lessening demand for the manufactured products of Great Britain by the particular countries developing the new industries. For a time this decrease of demand in one quarter was offset by the gain of customers in previously unexpected sections of the world, but very soon the countries once dependent upon Great Britain not only ceased to draw their supplies of manufactured articles from her, but actually began to compete in the markets of the world in order to secure an outlet for the surplus products of their newly created industries.

The result has produced a condition which completely negatives the theories of Cobden and is forcing the acceptance of a more rational system of political economy, one which proceeds on the assumption that it is the part of wisdom for every nation to develop its own resources, and that external trade can only prove beneficial to mankind when it is devoted to the exchange of non-competing articles. The complete refutation of the idea that the markets of the world are illimitable is working miracles in the way of conviction. It is impossible for a foolish theory to survive very long after it is practically disproved. When it is once fully recognized that there are bounds to the ability to dispose of surplus products the argument that the markets of the world are better than the home market will cease to be employed. It will be the aim of the writer

in the next chapter to demonstrate that an expansion of the world's markets during the next half century similar to that witnessed since 1850 cannot be hoped for, and abundant evidence will be presented which will prove that the stage has nearly been reached when the successful entrance of a new competitor in these so-called markets of the world will mean the exclusion of those who already occupy the field.

## CHAPTER XV.

### EXTERNAL TRADE.

#### LIMITED CAPACITY OF THE MARKETS OF NON-MANUFACTURING PEOPLES.

Expansion of British imports and contraction of her exports—The increased imports largely composed of manufactured articles—The prospects of an intense struggle for existence—Effects of the development of American industry—American experience not likely to prove unique—Rapid expansion of industry in Germany—Promise of a speedy growth of manufacturing industry in Russia—The factor of Oriental competition—The industrial feature of the future will be the promotion of domestic productivity and the relegation of trading to the second place—Trade can only be obtained at the expense of an already established rival—Obstacles to the extension of British trade offered by trades unionism—Threats of a European coalition to prevent disaster to industry from the encroachments of “Monroeism”—The assault on the integrity of Oriental nations inspired by the desire to monopolize the markets of Asia—Burden borne by the British taxpayer to acquire and hold African markets—Three-fifths of the British revenue expended for the purpose of maintaining and extending external trade—The true cause of the rise and decline of nations—Probable results of the introduction of modern methods to the notice of Orientals.

Not long since an American writer attempted to show that New York was destined to be the future metropolis of the world. The arguments used by him in support of his belief resemble those advanced by the Cobdenites in two or three important particulars, and are therefore worth noting. He said: “Two thousand years ago the civilized world was grouped about the Mediterranean. Knowing that, a geographer could have told that about where Rome was, or

opposite her, where Carthage had risen, must be the world's metropolis; that there could be but one, and that the one that had Europe behind it must one day outstrip the other, behind which the Libyan desert stretched. But the world then? Who knew what realms beyond Athos might out- rival those washed by the tideless ocean where Roman and Carthaginian galleys crashed together in fights? To-day there are no new worlds to find. So long as the continents maintain their relative position the North Atlantic ocean must be the center of the world's civilization; so long as the great rivers that now drain them rise in the same high- lands and reach the ocean through the same valleys as now, there is one spot—the port of New York—about which must grow the world's metropolis. So fast, indeed, do events move that the children of to-day will as surely see New York the world's center as, when most of us were children, London was such. The glory of London is that of conditions which have gone forever; that of New York the sunrise of an endless day.”\*

Only making casual reference to the fact that the center of exchange in the world, as it was known before the dis- covery of America by Columbus, shifted from Rome to Con- stantinople, † and subsequently to the Italian commercial cities, ‡ we proceed to call attention to the singular assump- tion that it is the destiny of New York to become the metropolis of the world, not for a period, but for all time. Such an idea could only have taken form in the brain of a man imbued with the belief that the world's economic meth- ods are unchangeable and that mankind must continue eter- nally in its course of wasteful exchange. No one with the dimmest foreshadowing of the possible changes that may be

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\*Warner, *Matters That Suggest Themselves*, “Municipal Affairs,” March, 1898.

†Adams, *Law of Civilization and Decay*, p. 20.

‡Ibid, p. 97.

worked by a general diffusion of mechanical skill would have ventured to assume that contiguity to the ocean would insure primacy for a city; least of all would he have claimed that the city built upon the shores of the Atlantic by reason of its position must always remain the metropolis of the world.

If any foundation existed for the belief in the illimitability of the world's markets the theory that New York is destined to become and remain the world's center might deserve respectful consideration. The idea that the Cobdenites once entertained, that those parts of the world having no manufacturing industries would always remain in a state of dependence upon nations that had already developed a high degree of industrial ability, made it seem reasonable that the Western world would always retain its commercial supremacy, and that the entrepôts of to-day would continue to grow in importance. But recent manifestations in the Orient have sensibly modified this optimistic view and raised the question whether the future may not witness an awakening of the slumbering peoples of the East.

But, apart from this consideration, there are other indications which point conclusively to the inability of peoples destitute of a highly developed civilization to greatly increase their consumption of manufactured articles. The relatively slow growth of trade with backward peoples and the phenomenal increase of output in countries with established manufacturing industries has already created a condition which confutes the predictions of the Cobdenites and makes reference to the profits to be made in expanding foreign markets seem like a mockery.

Great Britain has long been regarded as the typical commercial state of the world and her career has been cited by economists to illustrate the advantages flowing from disregarding a contracted home market in order to secure the profits arising from unrestrained trade with peoples in every part of the globe. In another place it was shown that much



of the prosperity erroneously attributed to the operations of unrestrained commercial intercourse was really due to the fact that Great Britain was in a condition of readiness to take advantage of the enormous changes wrought by the discovery of gold in California and Australia, and that in all probability her expansion would have been as rapid under the system of taxation in vogue before the repeal of the corn laws as under so-called free trade. The people who bought manufactured articles from Great Britain after 1848 did not patronize that country because it offered a freer market than formerly for agricultural products; they did so because the injection of a large quantity of the precious metals into the money system of the world acted as a great stimulus to industry and created wants which could only be satisfied by a resort to the stocks of the manufacturers of England.

As soon as the practical monopoly enjoyed by Great Britain disappeared her commercial attractiveness began to wane. In spite of her enormous purchases from foreigners, which the earnings from capital invested in foreign countries enabled her to increase from year to year, she has not succeeded in effecting a relative expansion of her exports. On the contrary, there is a constantly increasing volume of imports and a relative—in some years it has been absolute—decline of exports.

The features of this decline of the British export trade, dwelt upon in another chapter, if attentively studied will convince any one that the theory advanced by the Cobdenites that a nation which freely opens its ports places other nations at a disadvantage in trading is unsound. It is possible that circumstances may sometimes render the sacrifice of a minor industry advisable; it may even be admitted that Great Britain in abandoning her farmers to the mercies of an unrestrained competition acted wisely, but it will hardly be contended that a policy which has resulted in exposing to assault the peculiar industries supposed to have

been called into existence and fostered by free trade is a wise one. That the manufacturing industry of Great Britain is now subject to the inroads of foreigners is shown by the constantly increasing volume of imports of articles manufactured in foreign countries. The annual excess of imported over exported articles, which reaches over six hundred million dollars, is chiefly represented by manufactures ready for consumption. In 1895 the value of the imports into Great Britain of manufactured articles in that classification was £75,625,242, and in addition to this amount several millions of partially manufactured goods, such as dye stuffs and metals on which labor had been expended, were also brought into the country. These imports have admittedly displaced British labor and have contributed to the increase of the social wreckage. The record shows that once flourishing British industries have succumbed to unrestrained competition, and it is feared that others will meet the same fate.

It has hitherto been claimed by the Cobdenites that the losses thus sustained are fully compensated by the extension of British markets in other countries, but there is no foundation for this assumption. It is true that the exports of British produce and manufactures show a small absolute increase, but a relative comparison shows that the progress is not commensurate with the growth of population. It has been pointed out that "if the United Kingdom is to maintain even its present level of prosperity under the present conditions of population and of manufacture, it is absolutely necessary that its export trade should increase in value by about £2,600,000 annually."\* The writer who makes this observation after a careful survey expresses the opinion that the conditions are such that Great Britain cannot hope to largely extend her export trade without making grave sacrifices. He rejects the theory so persistently adhered

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\*Kershaw, *The Future of British Trade*, Fortnightly, November, 1897.

to by some writers that English workingmen enjoy a natural superiority over foreigners, and expresses the belief that the better conditions of labor hitherto prevailing in England only served to increase the cost of production and to handicap the British in competing with the foreign made goods in the home or neutral markets of the world. Most significant of all, however, is his admission that the British have entered on another path of industrial development, which he says must lead to "an international industrial warfare of the most savage intensity. This warfare," he adds, "if it be permitted to proceed to its logical issue, can have but one result—the reduction of the standard of life and comfort in all countries to the lowest level at which human beings in any part of the world are willing to exist."\*

The consequences of such a warfare may be discussed elsewhere; here we have merely to deal with the question whether the sacrifice of the home industry can be made good by a resort to other markets. If the international struggle referred to is already on it must be obvious that the markets of the world are now saturated and do not promise to increase their receptivity in the near future. In short, an international struggle for trade means that the productive capacity of the manufacturing nations exceeds the consumptive ability of the world. This condition will become more intense with every improvement of machinery, and as the determination of backward peoples to shake off the yoke of dependence finds expression in action. Its special distinguishing mark will be the tendency of nations to cease importing those things which they may easily produce for themselves, and substitute for the wholly wasteful and irrational system of external trade now in vogue a sensible exchange of non-competing products.

Necessarily such a change must bring about a relative contraction of foreign trade. If there is any foundation

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\*Kershaw, *The Future of British Trade*, Fortnightly, November, 1897.

for the belief that all civilized peoples can acquire manufacturing skill, and if there is truth in the statement that such raw materials as iron and coal are to be found in abundance throughout the world, we may look forward to a steady promotion of domestic production and a corresponding shrinkage of external trade.

We have seen that the development of the iron industry in the United States has rendered this country independent of foreign sources of supply, and while we may not assume that our annual production of 12,000,000 tons—the output for the year 1898—represents a diminution of the world's markets as great as these figures indicate, it is at least permissible to look upon it as an enormous curtailment of an export trade which Great Britain might have enjoyed had we refrained from attempting to supply our own wants. It is inconceivable, of course, that we should have been able to consume any such quantity of pig iron as an annual production of twelve millions implies, if we had been compelled to buy from foreigners, but even as a purely agricultural country—the destiny marked out for the United States by the Cobdenites—we should have required two or three million tons annually if we had maintained the rate of consumption which obtains in countries emancipated from the wooden plow and similar badges of backwardness.

Instead, however, of drawing upon the foreigner for supplies of iron and steel we are now exporting from our surplus of those products. Imports of those articles still figure in the custom house returns, but they are balanced by exports. In 1896 the value of all forms of iron and steel and manufactures therefrom imported into the United States was \$25,338,103, and in the same year our exports of the same footed up \$41,160,877.\* It is impossible to study the relation of these statistics to those of Great Britain and escape the conviction that the advance of this country was

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\*Statistical Abstract of the United States, 1896.

at the expense of the British manufacturer, for while the progress made in the United States in this particular industry during recent years has been phenomenal, production in the land which once was supreme in the iron market of the world has practically remained at a standstill.

Germany has had an experience somewhat similar to that of the United States and has materially interfered with the extension of British trade. For a long period the Germans remained in a partial state of dependence upon the English for their supplies of manufactured articles of iron and steel, but during the *regime* of Bismarck the commercial policy of the country was changed and every effort was made to develop the manufacturing abilities of the German people. In another place the fact has been cited that Herbert Spencer and other adherents of the *laissez faire* policy had so deceived themselves regarding the capacity of the Germans that during the '50s they were accustomed to speak with contempt of the backwardness of the nation, attributing it to the operations of bureaucracy, which, they asserted, had stunted the intellect and cramped the energies of the people. In a few years after the inauguration of a protective system, which has been maintained side by side with a constantly increasing degree of state supervision, external and internal, the Germans have built up a tremendous manufacturing industry, which, like that created by the Americans with the aid of the same machinery, is producing a constantly growing surplus that seeks the same markets hitherto held by Great Britain, and is in many cases successfully ousting British products from them. The signs are multiplying that the Russians—an undreamed of industrial factor a quarter of a century ago—are traveling along the same road as Germany and the United States, and the prospects are that, long before the first quarter of the new century has been completed, that hitherto backward nation will have taken first rank among the industrial nations of the world, and instead of being a consumer of the manufactured products of the countries

with established industries, like them she will be seeking an outlet for surplus production.

If we extend our point of view and make it embrace India, China and Japan, and include in it Mexico, which has of late exhibited a remarkable manufacturing progress, and Canada, whose efforts to achieve industrial independence are rewarded with a fair degree of success, and other British colonies where the manufacturing instinct is temporarily suppressed, we see rising before us possibilities which utterly negative the free trade assumption that the chief industrial feature of the future will be the extension of external trading, and that the world will continue as heretofore to waste a large proportion of energy and of fuel, its most valuable auxiliary in the creation of energy, in the wasteful work of transporting products to and fro.

With the disappearance of this belief will vanish the overconfident assumption quoted in the beginning of this chapter, that New York is destined to be the permanent metropolis of the world. That destiny may yet fall to some inland city, and the future may witness a repetition of the polity of the Oriental empires of antiquity which set no particular value on the coast line of their vast territories.\* It may not be as visionary as some seem to imagine for the people of Chicago to look forward to a day when their city shall exceed in populousness, wealth and importance any city on the American seaboard, and it is not entirely out of the question that in the rearrangement which must follow that awakening of the Orient, so confidently predicted by many keen observers, a metropolis may arise on the Pacific whose position with reference to Asia may make it take precedence of New York and London. That is the future which James Anthony Froude predicted for San Francisco, his prophecy being impelled by the conviction that the enormous natural resources of California and the other States of

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\*Holm, *History of Greece*, Vol. I, Chap. XXIII, p. 319.

the Pacific coast and the needs of the Orientals and of the inhabitants of antipodean regions would promote a trade of undreamed of proportions.

But whatever changes the future may bring, the evidence is overwhelming that they will be effected by a more rational system of trading than that now pursued. It is impossible to believe that the lack of economy now so manifest will endure for any great length of time. As the years roll on the difficulties now complained of by manufacturers in the countries of established industries will become more acute. The trouble they are now experiencing in finding an outlet for their surplus production will become more and more aggravated as manufacturing skill spreads throughout the world. Unless the peoples who are now in a state of dependence can be taught to greatly increase their productivity their consumptive ability will not keep pace with the manufacturing facilities of the present; their present condition certainly does not hold out the hope that consumption can, under any circumstances, be developed to such an extent as to profitably absorb the surpluses of all the nations eagerly seeking customers in the markets of the world.

The property of expansion so freely attributed to these markets of the world by Cobdenites is entirely mythical. If there was any ground for the assumption that there is room to spare in them we would not be constantly witnessing alarms bordering on panics in the countries with established industries whenever fresh competitors make their appearance. If the markets of the world were illimitable such expressions as those made by the president of the British Board of Trade would not be heard. That official, in an address to the Chamber of Commerce of Croydon, England, remarked: "We all know an American firm obtained the contract for the Central Underground Railway of London, as its bid was lower than those of the English concerns and it could deliver the supplies three months ahead of the British tenders. Many important continental orders have also gone

to America, and the same is to be said of Egypt and Japan, where the Americans are doing work that Englishmen should have done." From this concluding sentence we must not infer that the speaker was advancing the idea that steps should be taken to hold the trade for Englishmen by a resort to anything in the nature of protection. Nothing was further from his mind, as will be seen from his explanation: "America's successful competition," he said, "is due to her enterprise in embarking capital, but it is yet more due to the freedom her manufacturers enjoy of employing the best machinery and working it in the most economical manner, untrammelled by the restrictions which have hampered manufacturers here (in Great Britain)."\*

There is no hint here of obtaining relief from the evils of which this Briton complained by resorting to unexploited markets. On the contrary, he presents the issue clearly and truthfully and leaves no doubt in the mind of his hearer that there is a struggle for customers and that the success of one competitor means the failure of another. He does not, like the American Cobdenite, Mills of Texas, assure his hearers that the loss of the home customer makes no difference because the markets of the world are illimitable, but he plainly says that the English workingmen are committing a fatal error in not permitting labor-saving machinery to be used to its fullest extent and in otherwise refusing to accede to the demands of employers. In short, his contention is that there is a certain demand to supply and that the privilege of supplying it must fall to the people able to do so most cheaply; therefore the alternative presented to the British workingman is not the quest of other markets, for they do not exist, but whether they will consent to work for less wages or starve. As it is often rudely put, it is "a case of half a loaf or none."

If the trouble confronting the people of Great Britain

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\*Richie, president of London Board of Trade, speech before Chamber of Commerce of Croydon, Nov. 23, 1897.



were confined to that country it might be assumed that there are conditions existing there which make it impossible for the British to compete on favorable terms with the manufacturers of other nations. Indeed, the official just quoted expressly charges that recent British commercial backsets are due to the propensity of workingmen to demand more than the employer can afford to pay and retain his trade. The employers' argument is that the workingmen of Great Britain must accommodate themselves to the conditions of labor which obtain in other countries, cease contending against the reduction of wages and abate their demands for shorter hours of work. They must, in brief, do what the Germans do—work long hours and accept lower compensation—if British manufacturers are to hold their own. If the latter cannot do so, then the workingman must become part of the social wreckage, for employers will not consent to manufacture at a loss.

But when we turn our attention to Germany, where the conditions which Englishmen refer to as inferior exist, we find that the same fierce struggle is in progress, and that, if anything, the apprehension concerning the future is more pronounced than in Great Britain. Take this expression of opinion of one of the political leaders of Germany in a debate in the Reichstag over the Government's naval bill. The speaker, Herr Hammacher, said: "Pan-Americanism is for Germany more momentous than Monroeism. The United States are not to be considered on the same footing as a single European state, but rather entirely as a new continent with regard to producing, and my opinion, which is shared by eminent statesmen and has also been expressed recently by Count Goluchowski, is that European states will in the coming century be obliged to co-operate in order to support each other in this struggle for existence with America."\*

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\*Hammacher, speech in German Reichstag, Dec. 9, 1897.

Interpreted into plain English, this means that in the speaker's judgment it may become necessary during the coming century for the nations of Continental Europe to combine in order to save themselves from the consequences of their overproduction. In other words, he thinks it will be necessary for Europe to unite to prevent America's shaking off the yoke of foreign dependence; or, if a more contracted view of his meaning is taken, self-preservation will require Europeans to band together to prevent the United States from absorbing the trade of this continent, as it is feared she will when her resources are fully developed and her facilities for internal distribution are commensurate with her productivity.

Such an alliance, could it be effected, would present some features of resemblance to that of the French and English which had for its object the opening of Oriental countries to Western trade. The mainspring in each instance is precisely the same—the necessity of securing an outlet for surplus products—and the methods of bringing about the result would differ in no essential particular. The trade doors of China and Japan were opened by force, and the Americans, according to the idea outlined by Herr Hammacher and Count Goluchowski, are to be prevented by force from attaining their fullest development lest it interfere with the extension or preservation of European trade.

That an understanding of the kind suggested by Count Goluchowski will ever be reached is improbable. No doubt the dread of American competition may inspire such a desire, but European rivalry would prevent its gratification. Recent disputes over the division of trade and territory in China indicate the impossibility of agreement. In the English House of Commons in the early part of 1898 Mr. Curzon, Parliamentary Secretary of the Foreign Office, replying to a question put by Sir Ellis Ashmead-Bartlett, said that "British interests in China were paramount, but not exclusive. The British nation," he contended, "would

not be justified in regarding legitimate competition with jealousy, but ought rather to use all efforts to keep in an age of competition what was won in an age of monopoly." He added it was "Great Britain's policy to prevent disruption and oppose the alienation of Chinese territory," and it was therefore unlikely that she would regard with satisfaction the attempts of others in the direction of such disruption.\*

Despite this official threat, Russia and Germany persevered in their plans, the former seizing and holding Port Arthur and the Germans Kiaochau, and in the fullness of time their possessions will be extended. What may result in future from this movement it would be impossible to tell. The British assumption is that whenever their rivals establish themselves their first step will be to raise trade barriers. That this is likely no one will question, but it is noteworthy that no English writer ventures to assert that the occupied countries will suffer because of such interposition. In a feeble way it is intimated that general competition would be more beneficial to the Orientals, but most of the discussions leave the latter out of consideration. The question is merely: Who shall enjoy the trade which may be created by opening up the parts of China hitherto rigorously closed to the Western world?

When the matter is stated in this fashion it is at once seen that the squabble is one over markets, and that there is no thought of bearing "the torch of civilization" to a people now in commercial darkness. But while nothing of the kind is contemplated, we may be sure that the torch will illumine the darkness and perhaps kindle such a conflagration of rivalry that the Western world may regret having introduced it. The significant allusion of Mr. Curzon above quoted to the gains made by the English in an age of monopoly will suggest that the progress of China under the

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\*March 1, 1898.

new conditions may be more rapid than during the period when the British sought to keep the Chinese in a state of dependency on the manufacturers in England. The policy of the Continental powers may be shaped to the same end, but there are circumstances which may effect a substantial change in the development of the until recently moribund empire. There are signs that in their eagerness to avail themselves of the varied resources of China Russia and Germany may take steps to promote their development, and by so doing create a home industry which in the very act of creation will cultivate the mechanical faculty to such an extent that the teeming millions will be converted into rivals, who, instead of being exploited for the benefit of Westerns, will, in turn, endeavor to compete with those upon whom they were formerly dependent. The possibilities of such competition will be referred to at greater length hereafter; here they are only suggested to emphasize the assertion that the Cobdenistic idea that the markets of the world are illimitable is an absurd fallacy, and that those who count upon Asia as a future absorbent of the surplus manufactured products of the West are more likely to see the Orientals develop into manufacturing competitors than to remain dependent upon the countries with established industries.

In Africa the outlook is not more encouraging. Although a disposition has been manifested by Western nations to shed blood and waste treasure in order to extend markets on that continent, the result thus far has not been promising. A writer who has devoted much attention to the matter tells us that the British in the West African country are pursuing a course something like that which marks the dealing of unscrupulous whites with Indians on our own frontiers. Describing the valuable resources of the country, he says: "Hitherto, with the notable exception of the Niger Company, our mode of developing this most valuable trade has been by importing millions of gallons of noxious

spirits, to the demoralization of the native races under our protection," and he adds: "Apart from the moral turpitude attached to such a system of trade, apart from the fact that some of the races thus demoralized are exceptionally fine and are capable of reaching a much higher plane of civilization, instead of being debased to a lower one—apart, in brief, from the moral or philanthropic aspect of the question, it is obvious that this system of trade is short sighted and rotten. Industry, which it should be our object to stimulate, is limited to the production of just so much produce as will purchase the requisite amount of spirit, and is further enfeebled by the very object of purchase. The requirements of the natives, instead of increasing with their progress in civilization and comfort, remain stationary. Legitimate trade is strangled and progress is arrested. Moreover, instead of exporting to these great markets the produce of Manchester and Sheffield and Birmingham, and stimulating thereby our home industries, we are content to ship the spirits made in Hamburg, while crying out that trade is depressed at home. Nor is the native even given a choice, as it would seem in some cases, for an African Bishop reports at Ilaro that 'there was nothing else in the factories to exchange for all the produce but rum and gin.' These markets are old—old as the days when the export consisted of slaves shipped by Liverpool traders to America, but if once this suicidal import of cheap continental gin is abolished and these countries are thrown open to the produce of our manufacturing towns they will be new markets to Great Britain."\*

It would seem that so keen an observer as the writer should have been able to perceive that there is something incongruous in his suggestion that it should be the object of the British to stimulate industry among the African races in order to place them on a higher plane of civiliza-

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\*Lugard, *New British Markets*, Nineteenth Century, September, 1895.

tion and his assumption that when qualities of this kind are once taken on by a people they will consent to remain in a state of dependence. If, as Captain Lugard seems to think, industrial education could be confined to a narrow groove and the natives would meekly accept the doctrine that their destiny is to laboriously produce the oil of the Guinea palm and of the vegetable products for which the region is celebrated, to exchange for the products of Birmingham, Manchester and other cities of England engaged in manufacturing, his views might receive the substantial support of the British trading classes. But the latter have been taught by experience that the acquisition of industrial habits by the people of a new country is perilous to the export trade by which they profit. They have seen men of their own race in the United States, to whom industry had come with the mother's milk, refuse to believe that it is wise to confine their operations to the production of raw materials, although the teachers used the sugar coated pill of cheapness to make the dose palatable, and they have noted that the despised Orientals, the East Indians for instance, when the industrial habit is introduced soon develop a tendency to apply it to the production of things which, according to the Cobden theory, ought to be made in the world's workshop, England. Seeing these things and appreciating their bearing, the British trading classes in their dealings with Africans deliberately adopt the policy which the writer says is "shortsighted and rotten." It may be all that, but the keen trader is willing to take the present benefits rather than trust to the prospective gains which might result from a policy of systematically encouraging industry among races which critics pronounce "exceptionally fine" and "capable of reaching a much higher plane of civilization."

The existence of this feeling of caution is no doubt responsible for the fact that although the West African trade dates back "to the days when the exports from that country consisted of slaves shipped by Liverpool traders to

America," the British produce exported to Africa in 1896 amounted in value to only £819,355, while in the same year the English received thence products to the amount of £1,558,804.\* It is conceivable that a policy having for its object the promotion of African industry might have produced results which would have made a more imposing showing in the tables of statistics, but it must be admitted that, viewed strictly from the standpoint of the man who makes profit by exporting Hamburg gin to West Africa in British bottoms, it presents less alluring features than his own, which aims at the retention of such trade as has already been secured, and is decidedly adverse to any plan which even remotely encourages competition. Captain Lugard in his zeal has overlooked the fact that the promotion of the industrial habit and the development of the germ of intelligence is fatal to monopoly, but the British trader would never lose sight of the possibility of an industrious people making their own gin, and that the conversion of savages into civilized workers might lessen the taste for the senseless gimcracks and tawdry "Brummagèn" ware which constitutes the chief part of the remainder of the shipments from British ports to Africa.

The writer quoted thinks that it is well worth the while of the British to resort to artificial methods for the extension of African trade and quotes approvingly from a speech by the Rt. Hon. Joseph Chamberlain in which he said: "I regard many of our colonies as being in the condition of undeveloped estates which can never be developed without imperial assistance. \* \* \* I shall be prepared to consider very carefully myself, and then if I am satisfied, to confidently submit to the House, any case which may occur in which by the judicious investment of British money those estates which belong to the British crown may be developed for the benefit of their population and for the benefit of

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\*Statesman's Year Book, 1897.

the greater population which is outside.”\* It is not necessary here to point out that the policy outlined by Chamberlain and applauded by Captain Lugard is a wide departure from the principles advocated by Cobden. It may be true, as the Captain remarks, that “he who acquires an estate does not suppose that his cattle, his grain, his timber or his garden produce will come to market without capital outlay in stock, in buildings, in roads and in supervizing establishments,” but Mr. Cobden, and a long line of free traders following him, have denounced as false economy the extension of artificial aid to trade, which, they assert, should develop itself simply and naturally, because otherwise it cannot prove profitable. Captain Lugard says that “the acquisition of new markets in Africa means \* \* \* an initial outlay, an initial burden (so small, however, as to be almost inappreciable) on the British taxpayer,” but no matter how small the burden may be its imposition is as wide a deviation from the teachings of Cobden as the laying of a protective tariff, which, it is urged, promotes the injustice of imposing a tax on one portion of the community to advance the interests of the other. The farmer, say the free traders, is called upon to pay a tax to help the manufacturer in protectionist countries, but Captain Lugard and Mr. Chamberlain do not hesitate to admit that the British markets in Africa can only be extended by compelling the British employer, whether a farmer, a shopkeeper or a man living on his income, to contribute to the bringing about of a result in which he has no direct interest.

It is doubtful, however, whether the burden imposed on the taxpayers of England for this purpose is as light a one as Captain Lugard and other students of the problem of the extension of British trade assume. Mallock has a clearer apprehension of the matter, for he tells us that “the processes of production and commerce are the central processes of every nation’s life,” and that “government

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\*Debate on Colonial Office, Aug. 22, 1895.



exists to foster them, and changes its form as these processes develop, while fleets and armies exist mainly for their protection, and more and more depend on the progress that takes place in them."\* There can be no doubt about the correctness of this observation. In loose conversation, or military treatises, or even in addressing constituencies, it may be permissible to speak of maintaining armies and navies for defense, but the rational economist, who recognizes the aggressive character of commercial peoples, knows that they are cheerfully supported because they are believed to be essential to the continuance of that progress which must be kept up if national decay is to be averted.

Mill pointed out nearly fifty years ago that the profits of capital in England were tending to a minimum and that "all the savings which take place (beyond what improvements tending to the cheapening of necessaries make room for) are either sent abroad for investment or periodically swept away."† He also directed attention to the condition of Holland, where the earnings of capital had fallen so low that those who owned it had the greater part of their fortunes invested in loans and joint stock speculations of other countries, and explained that they were compelled to this course by the heavy taxation in Holland, "which had been in some measure forced on her by the circumstances of her position and history."‡

There is no doubt that the British people perceive the truth of these teachings and recognize the oppositeness of the illustration furnished by Mill. Therefore they cheerfully bear an economic burden which increases year by year. During the twelve months ending March 31, 1896, the cost of the British army was £18,460,000 and that of the navy £19,724,000. The budget for the ensuing fiscal year increased the latter appropriation to £21,823,000. In addition

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\*Mallock, *Aristocracy and Evolution*, p. 156.

† Mill, *Principles of Political Economy*, Book V, Chap. IV.

‡ *Ibid.*, Book V, Chap. VII.

to this enormous expenditure there is the charge for the national debt, mainly created for the purpose of protecting and extending trade which amounts to £25,000,000. This makes a total of nearly £65,000,000 expended for the protection and promotion of what Mallock terms the "central processes of a nation's life," that is, the processes of production and commerce.\*

Captain Lugard speaks of this investment, or rather burden, of the British taxpayer as a slight one, but as it represents an expenditure of over three-fifths of the national revenue derived from taxation it may be fairly urged that he misstates the case. But while it may be interesting to expose his error in order to exhibit the inconsistency of those who claim that British "free trade" requires no artificial stimulus, we are mainly concerned here to inquire whether this enormous expenditure made for the purpose of extending British markets and preserving British trade after it has been secured will prove profitable in the long run. An inquiry of this kind cannot be limited to the operations of a few years or a century, or of two or three centuries. If the study of political economy is to prove of any use to mankind it must not be fettered, or its teachings rendered valueless by the introduction of illustrations which are incomplete and therefore misleading. The student must not deceive himself by regarding the phenomenon of the wonderful acquisition of wealth by the inhabitants of a couple of islands of contracted area and assume that it represents the operations of the principle of *laissez faire*. The accumulations of Great Britain are the direct outcome of a protective system which while in operation called into existence an enormous manufacturing industry and created a capital of such magnitude that for a time rival nations were placed at a disadvantage by its employment. This was especially the case while the expansion due to the gold

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\*Statesman's Year Book, 1897.

discoveries made about the middle of the century was in progress. What was then gained is now being preserved with difficulty by an expenditure of three-fifths of the annual revenue of the state.

The question to consider, then, is whether a continuance of these expenditures will serve to maintain British commercial supremacy or whether its final result will not be to place Great Britain in the position of Holland. Mill distinctly tells us that heavy taxation forced on that country by the circumstances of her position and history has driven the owners of Dutch capital to make investments in foreign bonds rather than their own. It is not improbable that the unnatural effort of the British to open new markets and retain them will ultimately bring about a similar condition of affairs in Great Britain to that which prevails in Holland. At present the people of the United Kingdom bear the burden of taxation with apparent ease, but who can tell what would follow should another great war be waged for the purpose of extending or preserving trade? The signs of such a conflict are multiplying. Quite recently assertions were officially made that Great Britain would not tolerate the partition of China and a warning was given that the occupation of Port Arthur by the Russians would not be permitted. It is true that the failure of Russia to heed the warning did not provoke action, but it would be unwise to assume on that account that Great Britain will always shrink from making good her threats. At any day the pressure of her commercial classes and the necessity of redeeming herself from the charge of pusillanimity so freely brought by her own writers, may force her to throw down the gage of battle, or she may be obliged to accept it from the nations which, like her, are eagerly struggling for the markets of the world.

The outcome of such a conflict would certainly prove disastrous to Great Britain. It is inconceivable that she could engage in a struggle with the continental powers

with the hope of such a termination as that which signalized the war between Germany and France. Great Britain might be able to hold her own in such a war, and with the assistance of a powerful ally or allies might win an effective victory, but she could not secure indemnity for her expenditures and the loss of her commerce. Under the most favorable circumstances she might escape the loss of territory, but that is doubtful. The net result of such a collision might easily be an addition to the national debt which would double the annual interest charge, and, unless the very unlikely contingency of a general disarmament occurred, the years following the conclusion of peace might demand much larger expenditures for military and naval purposes than were required during the period preceding war.

While some people entertain the foolish idea that a national debt is a national blessing, and short-sighted men professing a knowledge of statesmanship have held that so long as a debt is owned by the people of the nation contracting it no economic loss results, there are others who plainly perceive that the effect of piling up indebtedness is to make it more and more difficult for an industrial nation to compete with rivals more favorably situated so far as accessibility to raw materials and exemption from heavy taxation are concerned. Especially must this be true of a country situated as Great Britain is. The limited area of the islands and the comparative meagerness of resources makes her case present a close analogy to that of Holland. Already we have significant signs in Great Britain of the tendency commented upon by Mill as being manifested by the Dutch. Vast quantities of the capital of the British have been invested in foreign lands, and the obvious reason why its owners resort to strange fields to place their accumulations is that they cannot secure satisfactory profits at home.

At one time the outside investments of the British may have represented a desire for a greater degree of profit than could be obtained at home, but this is no longer the case.

It is now clearly apparent that much British capital seeks investment abroad because it cannot find domestic employment. This is not owing to the too rapid expansion of capital, but is directly traceable to the failure of British industry to develop as steadily as it must in order to preserve the commercial standing of the nation. Or, to put it in the more significant fashion of an English review writer, it is ceasing to be profitable to employ capital in what were once the leading British industries because a combination of circumstances makes it possible for rivals to manufacture more cheaply, or, at least, enables them to hold their own territory against the entrance of the manufactures of Great Britain. As an instance in point he cited that the population of Lancashire was increasing at the rate of  $2\frac{1}{4}$  per cent. per annum, and that the operatives employed in the cotton mills of the district during a period of twelve years ending in 1895 had only increased 44 per cent. "Therefore," he added, "the population of Lancashire has been increased five times as rapidly as the chance of employment in the main industry of the country," and, with equal force, he might have added that the opportunities for investment of British capital in the great cotton textile industry have been abridged in a ratio corresponding to its almost stagnant condition in the greatest British cotton spinning and weaving center.\*

That this evil will become more intense as the years move on and other peoples now but indifferently endowed with mechanical ability develop their faculties no sensible person will venture to deny. The experience of the past, although its lessons have been somewhat obscured by extraneous circumstances, permits no other conclusion. It is not necessary in assenting to this view to concede the correctness of the elaborated theory that luxury and corruption tend to enervation and make peoples who have accumulated great

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\*Hallett, *New British Markets*, *Nineteenth Century*, August, 1895.

wealth incapable of competing with newer and more hardy nations. It would not be difficult to institute comparisons which would convey the impression that the condition of modern England presents a surprising resemblance to that of ancient Carthage and Rome in their periods of decadence. All the symptoms which learned writers say indicated the mortal disease of those ancient bodies politic may be discerned in Great Britain to-day; yet a careful writer would hesitate to admit, even though he felt assured that the British will share the fate of other empires that have preceded it, that the cause of its undoing will be due to its departure from the paths of virtue, using the word in its broader Aristotilean as well as in its more contracted ethical sense. Confronted by the possibility of a people hitherto regarded as barbarians creating an industrial empire which may by the mere force of competition and superior resources overwhelm the hitherto prosperous British with disaster, it would be little less than absurd to attribute the result to the moral decay of Englishmen or the superior virtue of their Russian rivals.

All the evidence we have shows that the people of Russia are marching steadily toward the goal of industrial perfection. It is not necessary in this place to mass the testimony foreshadowing such a result. Much has been said elsewhere in these pages which will convince the most incredulous that the Russian empire is making enormous strides, and that its present polity, although the mailed hand is used in carrying it out, is to advance the material interests of the people by extending their operations in the fields of agriculture, manufacture and commerce. If, as seems more than likely, the effect of these efforts will be to close the markets in Russia and the Orient hitherto enjoyed by the manufacturers of Great Britain who will say the success achieved was due to superior Russian morality, intelligence and greater devotion to liberty? Will some future Gibbon, if the British islands cease to maintain a great population—

a possibility freely conceded by Mallock and others—assert that the diminution of the number of inhabitants was due to their failure to appreciate the blessings of freedom, and glorify the rise and progress of the Muscovite as a triumph of the principles of free government?

We may safely answer, No! A more rational interpretation of the causes which contribute to the growth and decline of nations will forbid the most limited intelligence to accept so erroneous a view. In the future, after this mighty change has occurred, it will be clearly perceived that the temporary greatness of Britain was chiefly due to the failure of other peoples to employ the faculties with which they were endowed, and that a period was put to the power and prosperity of the empire as soon as rivals discovered their latent possibilities. A discovery of that character, associated with the desire to make the most of their previously unexploited resources, will account more satisfactorily to the historian of the future for the forward movement of certain nations than theories of the effects of freedom and the practice of morality. If the anticipated expansion of the Russian Empire foreshadowed by its present industrial progress occurs it will be impossible to attribute the development to any such fanciful causes as the historians of the old school advance to explain the decay of nations. We know that freedom is not a conspicuous possession of the Russians, and few Anglo-Saxons will concede that the standard of morals is higher in the dominions of the Czar than in the Western nations which have hitherto been in the van of civilization. There may be much exaggeration in the widespread statements regarding corruption in official and private life in Russia, but there is enough basis of truth in them to account for the consensus of opinion that many reforms will have to be made before the Russian people can be placed on the same plane as those now pleased to look upon them as barbarians.

This being the case, historian and economist alike, when

they study the phenomenon of the decadence of the leading commercial empire of to-day, will find no difficulty in arriving at a correct conclusion respecting the cause. They will not hesitate to attribute it to the inability of a people, no matter how much their intelligence may have been developed, to contend indefinitely with superior resources. They will see the vanity of the attempt to maintain an adventitious position by piling up taxation. The schoolboy of the future will look back with derision on the effort—and the system of political economy which instigated it—of a people to convince other peoples that it is wise to expend the greater part of the energy of mankind in the wasteful work of unnecessary hauling. One day the fact that nations could be persuaded that they would be benefited by neglecting to develop their resources will seem as strange as it now seems to us that the ancients should have approached so near to the discovery of the great scientific truths which have revolutionized the modern world without actually grasping them. To those taking the backward view it will seem extraordinary that the idea should have been seriously entertained that the handicap of excessive taxation could assist in a race for commercial supremacy, and the fatuity of those who imagine that the piling up of billions of debt in commercial wars could prove more than a temporary advantage in a rivalry of the whole world will be a source of wonderment.

By students of the future the belief in illimitable foreign markets will be regarded as an extraordinary delusion. They will clearly see what some now perceive—that the demands of consumers are democratic and always in response to the desires of the masses. If the masses in any country remain in a state of dependence the standard of life will be low and the volume of consumption small. Mr. Mallock states the case accurately when he says: "Not every member of the community demands the same commodities, but whatever commodities are demanded are demanded in each case in accordance with the spontaneous wishes of indi-



viduals, and that the total force of the demand is the cumulative result of a number of actions and desires which happen to be spontaneously similar. The commodities supplied to them have, in other words, to be accommodated to a genuinely democratic order; and if the consuming democracy does not consider them suitable, it virtually, by refusing to buy them, condemns them to be destroyed.”\*

This being indisputable, it must be apparent that so long as peoples are in a state of dependence their demand, except for the simplest products, must remain at a minimum. It is hopeless to expect Africans to increase their appreciation for the many articles which most civilized peoples regard as indispensable to a comfortable existence so long as they consent to receive from “Brummangen” traders gin, glass beads and coarse cotton cloths. Until they are taught the arts of industry and are stimulated to desire a large number of useful as well as unessential things their taste will remain at the glass-bead level and the demand for general products will be low.

As has already been suggested, the broadening of tastes of people in a backward state is attended with the menace of a curtailment of a certain kind of markets; therefore it is not encouraged. But in spite of this the impulse even in “barbarian” countries is toward an enlargement of wants, and it is always accompanied by an effort to meet them by home industry. It is inconceivable that a community could have as highly developed tastes as those exhibited by Frenchmen, Americans, Germans and Englishmen without a domestic industry responding to them. Therefore, we may look forward to a period when all peoples with a capacity for self-improvement will struggle to diversify their industries. It is in the highest degree probable that the introduction to the notice of the Orientals of railroads, factories and modern methods of extracting minerals will be followed

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\*Mallock, *Aristocracy and Evolution*, p. 241.

by a reawakening of the nations of the East, and the final result will be to completely alter the character of the exchanges between that part of the world and the West.

In the next chapter an attempt will be made to determine the imminence and possible extent of the change which may be produced by such an Oriental awakening. It will be seen from the nature of the evidence to be presented that the Western world must abandon the hope of greatly extending markets for manufactured products in that direction and that there is a menace of near at hand rivalry which may dispute with the West for the comparatively insignificant markets that will be afforded by uncivilized Africans and others who have thus far failed to develop industrial tendencies.

## CHAPTER XVI.

### INDUSTRIALISM IN ASIA.

#### MANUFACTURING CAPABILITY OF ORIENTAL PEOPLES CONSIDERED.

Why some economists disregard the dangers of Asiatic competition—A comfortable theory which would divest economics of all problematical features—Any considerable output of cotton fabrics by Japan will injure the Western cotton industry—The destruction of established industries by fresh competitors—Competition which results in destroying established industries impairs the ability to consume—The promotion of superfluous industrial enterprises—Excessive competition leads to the dissipation of capital—Adam Smith's prediction that industrial joint stock enterprises would not work successfully—The forerunners of the modern trust in Ancient Rome—Automatic accumulation of capital—The part accumulated capital may play in promoting Oriental industry—The blackmailing propensity of accumulated capital—Excessive thrift an obstacle to modern progress—The imitator in an industrial contest often reaps the fruits—The inventive faculty likely to be developed in Oriental countries—Cheap labor in abundance may result in industrial retrogression—An awakening that may prove more speedy than that which followed the crusades—The effects of the transference of Western capital to the Orient .

In concluding the chapter devoted to showing the fallacy underlying the Cobdenistic theory that the markets of the world are capable of indefinite expansion reference was made to the probable effect that the introduction of Western methods among Oriental peoples would have upon the future of industry. The theoretical economists have hitherto been disposed to regard with contempt the fears

of those who look forward to the time when the teeming millions of India, China and Japan will attempt to rival Western peoples in the arts which the latter are now engaged in teaching the former. An American writer of large practical experience, whose ideas scarcely harmonize with the results of his observations, has put into concrete form in a magazine article the view of the class who think that there is no ground for the apprehension of trouble from this source. He assumed that any progress which may be made in the direction of the acquirement of the knowledge and arts of the West by Orientals would be accompanied by a corresponding increase in the desires of the newly awakened peoples which would display itself in a greatly increased consumptive ability.

Speaking of the Japanese, he said: "In their individual aspect human wants came into existence with the capacity for gratifying them. That the cost of living increases to each individual as his fortune rises is a fact within the observation and experience of every man. This could not be otherwise. Men strive for the possession of material things only because they desire to possess them, and that desire for possession is founded upon an inherent desire to expand, exalt and embellish individual life. The sole object for which men produce an article of commerce is for the purpose of exchanging it for other articles adapted for their wants. They produce that they may sell and they buy because they consume. At the basis of all industry lies the individual want of man. As the desires of his mind expand his effort expands correspondingly. Thus the energy of the individual rises proportionately to the diversity of the want. In fact, the want his mind perceives is the actual parent of his productive capacity. To assume that a race of men will become producers of wealth on a very large scale without becoming consumers on a correspondingly increased scale is to attribute to them the stolidity of a purpose to become rich without any correspond-

ing personal benefit to themselves. If contact with the nations possessing higher civilized efficiency is to have no other effect upon Japan than to increase its productive capacity without enriching or diversifying the civilized want of that people, then the Japanese must be regarded as the most stolid, unimaginative and stupid of all the races of men."\*

The writer foresaw that this view might be attacked as a generalization, but he contended that it had a substantial basis in fact and in the experience of each individual, and that it is consistent with the philosophy of human life, human aspiration and human desire. It is open, however, to the objection that it ignores the fundamental fact that as society is now constituted there is a constant tendency to overproduction, and that the result of this tendency is to create fierce commercial rivalry, the too frequent outcome of which is to arrest, and in many instances totally impair, the ability of localities or peoples to maintain their customary rate of progress, and that it often eventuates in the complete submergence of once prosperous communities.

If it were true, as Mr. Mills assumes, that the ability to create wealth is matched by the ability to effectively consume there would be no problem for modern economists to consider. Such an assumption implies the existence of a continuous commercial prosperity, whereas the reverse is the case. Instead of it being true that increased powers of productivity bring about an equilibrium between demand and supply, we find that the latter is constantly outstripping the former, and that as the decades roll on the so-called periods of depression follow each other more closely, last longer and grow more acute.

If this were not the case we might view with equanimity the creation of new industries in Japan. If the assumption

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\*Mills, Japanese Industries, Overland Monthly, June, 1896.

that "a race of men, when they become producers on a large scale, at once become consumers on a correspondingly increased scale" were perfectly sound and we could be assured that there would be no serious dislocation of the existing machinery of production there would be no ground for apprehension. But the least informed person is aware that this is not the case. Take a concrete example furnished by the Japanese. It will be impossible for Japan, in the present condition of the cotton manufacturing industry in the Western world, to greatly increase her output of textile fabrics without seriously injuring the plants already in existence in Europe and America.

The Cobdenistic idea that new outlets for manufactured goods can easily be found is no longer tenable. It has been absolutely abandoned by thoughtful English writers, who, while still maintaining that the free trade system is adapted to the needs of Great Britain, are too frank to conceal the fact that at present there is no hope of adjusting the machinery of production so that it will always run as smoothly as the theorists assume it does. A prominent member of this new and more rational school of British economists remarks: "It is at any rate conceivable that Japan might undersell England in the East, and Germany undersell it in the West, and that the present depression in agriculture might extend to manufactures. The general assumption that if trade is driven from one market it can flee to another is only partially true in practice, and an industry may be destroyed before the labor and capital can find another outlet."\* He also says in the same connection that "a country with a large carrying trade may be injured by the development of foreign shipping or by the conversion of roundabout into direct trade," an observation no American who has witnessed the absorption by Great Britain of the ocean carrying trade of the United States will care to dispute.

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\*Nicholson, Principles of Political Economy, Vol. II, p. 326.

In the discussion of a practical question of this kind the sophistries of the school of economists who attempt to convey the impression that the welfare of the whole of mankind is to be considered should be totally ignored. No good result can flow from the practice of shutting our eyes to the fact that there are national boundaries and that the national feeling is increasing rather than diminishing. No sane American will assent to the proposition that because the aggregate wealth of the world is likely to be increased by the productivity of the Orientals he is certain to be benefited. There are too many chances that in the shaking up of the atoms he may be the loser.

It is too late to teach the exploded doctrine that it makes no difference to a people whether they do or do not produce the manufactured articles which they consume, provided they are easily and cheaply obtained. Experience has taught us that consumption on a large scale only takes place in those countries where industries are well diversified, and the inference is obvious that if the existence of those we have created should be jeopardized by the competition of peoples whose habits of thrift, the result of centuries of enforced abstinence, would enable them to manufacture more cheaply than we can, the ability of the American people to effectively consume would speedily decline.

But the theory under criticism is not alone defective in assuming that the evil of overproduction is non-existent. It halts very seriously in another particular. Mr. Mills is certainly in error when he asserts that "the sole object for which men produce any article of commerce is for the purpose of exchanging it for other articles adapted to their wants. They produce that they may sell," he says, "and they buy because they consume. At the basis of all industry lies the individual want of man."

As a broad generalization this statement seems sound enough, but analysis will speedily disclose that it does not fairly describe the mainspring of the greater part of the

energy displayed in carrying out our extremely complex industrial system. Unquestionably the moving impulse to work with the majority of men is want. If the fruits of the earth were so distributed that men could gather them without effort it is conceivable that the industrial instinct would entirely disappear. But it will hardly be asserted that because the masses are compelled to labor in order to keep the wolf of poverty from the door the multi-millionaire is impelled to add to his millions by a similar impulse. Somewhere or other the statement has been attributed to C. P. Huntington that his great wealth gave him no advantage over a person of moderate means. In substance, he said: "I can eat no more bread, meat and other food, and I can wear no more clothes than the average man; therefore, if I go on accumulating I am doing it for the benefit of others, as I take care to keep my accumulations productively employed."

Few persons will be found to dispute Mr. Huntington's claim that he does not benefit by his continued exertions and that when he plans a new enterprise he is not impelled to do so by want. No doubt if he were disposed to inaction he could get as much comfort out of two or three hundred thousand dollars as he can out of a score of millions. But he need not be credited with altruistic motives because he goes on piling up wealth nor are we obliged to assume that his persistent exertions must necessarily inure to the benefit of his fellow creatures.

We cannot lose sight of the fact that the unscientific character of modern competition results in the creation of many entirely unnecessary and unsuccessful industrial works. To say that the promotion of enterprises of this character is beneficial would be as unreasonable as to claim that the millionaire Girard conferred a public benefit when he employed an applicant for charity in piling and repiling bricks on the same spots. It is true that he transferred part of his wealth, which he did not need, to some one who



sadly needed the money earned in this fanciful manner, but the carrying to and fro of the bricks was a mere waste of energy, for it is more than probable that the recipient of the charity thus whimsically conferred did not need exercise.

In the same way Mr. Huntington's energies may have been expended in the creation of unnecessary railroads. If, as the result of his enterprise, two roads were called into existence where one could easily have performed the required work, the world at large was not advantaged. The construction of the unnecessary road may have given employment to men who needed it and its subsequent operation doubtless contributed to the alleviation of the suffering caused by the constant competition for an opportunity to earn a living, but unless it can be successfully demonstrated that the dispersal of capital is a desideratum, no one will say that the creation of unnecessary transportation facilities is economical or wise.

It is not desirable here to enlarge upon the evils flowing from the promotion of excessive competition in the business of transporting products to and fro. Indeed, it would be a mistake to single out this particular industry for animadversion while the same blunder is being committed in every other calling where the competitive system has an opportunity to operate. It is no worse a mistake to parallel lines of railroads than it is to multiply stores indefinitely. Two trains of cars running side by side through a country which can scarcely furnish enough business for one may afford a more striking illustration of the evil we speak of, but a score of shoe shops in sight of each other on a single street in a city, all employing clerks whose occupation a large part of the time is waiting for customers who do not come, is as pronounced a case of wasted energy as that which the parallel railroads offer.

The point we are seeking to make is that the creation of wealth under existing conditions is not always followed

by the ability to consume, and that while the highly unscientific method of promoting productivity by competition obtains it is positively necessary for nations, as it is for individuals, to take steps to prevent being crowded out of the race. Therefore it behooves the people of the Western world to narrowly watch the doings of possible new competitors. A state has as much reason to feel apprehension over the advent of a new manufacturing nation as the shopkeeper has to dread the opening of a new establishment by his side. The first comer may be able to hold his own if the progress of the place in which he is located can support an additional dealer, but if it cannot he must divide his profits with the interloper or go to the wall.

That this is the fate of a large proportion of those who engage in business the records of failure in every country testify. Indeed, when this part of the evidence is closely studied, the conclusion is forced upon the candid inquirer that under the present system, in which accumulations of capital play so important a part, it is becoming more and more difficult to achieve success by the exercise of skill and industry. If such a deduction may be regarded as sound and is accepted it will be fatal to the assumption that all attempts to increase the world's productivity must result beneficially. In this view of the case only well directed efforts which eliminate the factor of waste and respond to ascertained wants, immediate or prospective, can confer a benefit on mankind generally.

The writer we are criticising, like many others, employs the argument advanced by Adam Smith when he assumed that the mainspring of commercial energy is direct self-interest. The fact is often lost sight of that when Adam Smith wrote the belief was prevalent that no business enterprise could succeed unless the personal attention of those directly interested in its profits was given to it. So convinced was the learned doctor of the soundness of this view that he unhesitatingly declared that joint stock com-

panies, except for the conduct of the banking and insurance business, could not prove successful. "The only trades which it seems possible for a joint stock company to carry on successfully, without an exclusive privilege," he asserted, "are those of which all the operations are capable of being reduced to what is called a routine, or to such a uniformity of method as admits of little or no variation."\* In another place he says: "The joint companies which are established for the public spirited purpose of promoting some particular manufacture, over and above managing their own affairs ill, to the diminution of the general stock of the society, can in other respects scarce ever fail to do more harm than good."† And there was no doubt whatever in his mind "that a joint stock company would be unable to carry on successfully any branch of foreign trade, when private adventurers can come into any sort of open and fair competition with them."‡

These conclusions, as has already been observed, were based on the erroneous assumption that the managers of other people's money cannot be expected to watch over it with the same vigilance with which the partners in private copartnery watch over their own. "Like the stewards of a rich man," says Doctor Smith, "they are apt to consider attention to small matters as not for their master's honor, and very easily give themselves a dispensation from having it. Negligence and profusion, therefore, must always prevail, more or less, in the management of the affairs of such a company. It is upon this account that joint stock companies for foreign trade have seldom been able to maintain the competition against private adventurers."

These views undoubtedly mirrored the manners, morals and spirit of the time of Adam Smith, but they are not applicable to the conditions existing today, nor do they betray

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\*Smith, *Wealth of Nations*, Book V, Chap. I.

†Ibid.

‡Ibid.

§Ibid.

that large acquaintance with the industrial history of the ancients with which the admirers of the Doctor credit him. The researches of the modern critical school have established the fact with sufficient clearness to enable us to assert that joint stock enterprises were familiar to the people of ancient Rome, and that some of the greatest achievements of antiquity were due to them. Mommsen is our authority for the statement that "indications are found of the occurrence among the Romans of that feature so characteristic of the system of association—a coalition of rival companies in order to jointly establish monopoly prices."\* The same writer tells us that one of the phenomena of the sixth century of Rome was that "the transference of the charge of the larger monetary transactions from the individual capitalists to the mediating banker, who receives and makes payments for his customers, invests and borrows money, and conducts their money dealings at home and abroad—which is the mark of the development of a monetary economy—was already completely carried out in the time of Cato. The bankers, however, were not only the cashiers of the rich in Rome, but everywhere insinuated themselves into minor branches of business and settled in ever increasing numbers in the provinces and dependent states."†

No other inference can be drawn from the statements from which this deduction of Mommsen is drawn than that joint stock operations were a common feature of the period to which he refers. When we examine the original authorities we find ample corroboration in the relation of circumstances which can only be explained by assuming the existence of such enterprises. We find a significant reference to a system of joint underwriting by Cato, and there are numerous allusions by other writers which suggest that the great mines of Gaul and Iberia were worked with associated capital. The curious and otherwise inexplicable fact

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\*Mommsen, *History of Rome*, Book III, Chap. XII.

†*Ibid.*

that such men as Cæsar, Marc Antony and Catiline became indebted for fabulously large sums to money lenders, who apparently were furnished no security for the amounts borrowed, may be explained by the existence of a system similar to that which recently permitted the son of a Chicago millionaire to involve himself to an extent that his obligation rivaled the national debt of some small countries. Unless it can be shown that human nature has greatly changed during the eighteen centuries of our era it is unreasonable to assume, as most historians have done, that the usurers of the closing days of the Roman Republic, and of the period immediately anterior, were in the habit of staking politicians of more or less doubtful reputation in the hope of being reimbursed by a turn in the wheel of their political fortunes.

But whether this latter conjecture is sound or faulty, the evidence is overwhelming that during the times referred to there were opportunities in plenty for the owner of capital to employ the same without the exercise of personal supervision. Indeed, it was a characteristic of the society of the period that the very rich made open profession of scorn for those who derived their livelihood from commerce, but did not disdain to share the profits of the ventures planned and carried out by the despised trading class. We are told that the fortune of Crassus, the richest man in his day, was acquired by speculation and that he disdained no branch of gain; that he entered into partnership with his freemen in the most varied undertakings, and acted as banker, both in and out of Rome, in person or by his agents, and advanced money to his colleagues in the Senate.

The picture which Mommsen furnishes of this remarkable figure of antiquity, with all of its lights and shades, would serve excellently to portray the operations of several of the richest men in the United States, and it is impossible to study it without reaching the conclusion that the declining days of republicanism in Rome were marked by economic

phenomena very similar to those through which the people of the nineteenth century are passing.

A close investigator of the relations of corporations to political science, in a recent discussion of this subject, expressed the view that "it is not only conceivable that private corporations may become dangerous to sovereignty, but it is a fact that something like private corporations did much to produce the anarchy of the Middle Ages."\* In citing this passage there is no disposition to convey the impression that the existence of private corporations is a menace to the sovereignty of the people. This may be the case, but we prefer here to accept the view of the writer quoted that "a private business corporation is, from the view of political science, a group of human beings usually belonging to the best class of citizens, associated for the prosecution of some great enterprise and endowed with certain privileges and obligations." By so doing we shall be able to clearly establish the fact that modern enterprises are not suggested by the needs of those promoting them, but in most cases they are the outcome of the desire of those who are already possessed of more than their share of the means of obtaining the comforts of the world to add still further to their possessions.

A little reflection will convince any person that undertakings engaged in for the purpose of earning dividends for the owners of capital cannot possibly result in the same fashion as individual efforts put forth to satisfy genuine wants. It is inconceivable that any number of persons acting in a co-operative capacity would deliberately build two roadways, side by side, through fields in which they had planted crops. The folly of such a course would be too apparent. The least gifted member of the community would be able to perceive the waste involved in the creation of two things where one would serve the same purpose. The most obtuse yokel would be able to grasp the fact that the energy wasted in building

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\*Burgess, *Political Science Quarterly*, June, 1898. Article, "Corporations and Political Science."

the unnecessary road might have been more profitably directed elsewhere, or that it would have been more sensible to employ the time consumed in useless toil in restful leisure. But the promoters of joint stock enterprises, having no other object in view than the earning of dividends and not acting in response to real wants, are uninfluenced by considerations of this kind.

A corporation that earns dividends by driving a rival into bankruptcy is as much a monument to the sagacity of its projector as though it had accomplished what Mr. Mills assumes all efforts to create wealth accomplish. If all the efforts of individuals and corporations were well directed—that is to say, responsive to wants already existent, or designed to meet those likely to arise—there would be some justification for that species of optimism which finds expression in the confident opinion that the result of the entrance of Oriental peoples into the modern industrial arena is sure to be beneficial. But while the largest share of the enterprise of to-day is promoted by a system whose driving wheel is speculation, and the most marked result is overproduction, it is idle to contend that the threatened competition is not a menace to the existing order of society. Had there been any foundation for Adam Smith's assumption that joint stock enterprises for the conduct of manufacturing industries could not succeed, the progress of Oriental rivalry would necessarily have been slow. If it were necessary for the Japanese to depend upon their own uncombined efforts to create a cotton industry it is more than probable that its expansion would not proceed more rapidly than the demand for home consumption justified. There is no doubt that Smith was right in assuming that men acting on their own behalf are naturally more cautious than those who are engaged to perform a service for others, but he entirely mistook the nature of the conflict. Like the writer in the *Overland Monthly*, he supposed that the efforts of men engaging in industrial enterprises would be directed to the satisfaction of well

ascertained wants, or to meeting those which might be created. He failed to see that a plethora of capital would bring about a condition of affairs in the industrial world in which the energies of the enterprising would be devoted to the extirpation of rivals, and that in the effort to accomplish this object the primary purpose of producing—to satisfy wants—would be wholly lost sight of.

For carrying on such a conflict a combination of capitalists, like the entity called a State, can always secure willing and able servants. Just as the government of a wealthy and powerful nation obtains the services of its most gifted citizens by offers of rewards, so does the corporation of modern times. No one will challenge the assertion that there are now in the employ of the stock companies of the great industrial nations men as able, honest and loyal as those in the service of the governments; nor will anyone deny that these hired servants of capital work as zealously and intelligently to further the interests of the corporations with which they are identified as they would if they were carrying on their own concerns. To maintain a contrary assumption it would be necessary to ignore the generally conceded fact that corporations are constantly absorbing the best organizers and the most capable men of every community. The rewards offered to servants by corporations are higher than most persons can hope to achieve through their own exertions; consequently volunteers of ability eagerly offer their services, which are accepted and employed by capital to carry out the programme of crushing individual effort, a course rendered imperatively necessary to satisfy the desire of those who already have more than they need to add to their accumulations.

No sophistry can disguise these facts. It may be freely admitted that the effect of combination of capital is to reduce the cost of production, and thus make it possible for the consumers who have the money wherewith to buy to obtain their supplies more cheaply, and still the charge that the inter-



position of the joint stock company renders it possible for organized capital to shift fields of industry and utterly destroy whole communities and even nations remains unconfuted.

The phenomenon of foreign capital seeking the United States as a field of investment is a familiar one. It has heretofore been regarded mainly from the standpoint of the theorist who sees nothing but universal benefit in the development of fresh resources, but the signs are multiplying that the English people are coming to look upon the conscious and unconscious efforts of British capitalists to promote rival industries on this side of the water as a mistake. They certainly cannot view with equanimity the creation of enormous iron and steel plants in the United States, whose very magnitude make the competition of the works of smaller countries impossible. The reduction in the price of iron and steel due to the superior facilities of the large American establishments will hardly compensate the British for the inevitable crowding out of the products of their own works, with all the evils that such a result may—nay, must—bring in its train.

The historian or economist who surveys the effects of this movement of capital, say a thousand years hence, may conclude that all was for the best and that it was but natural that the transference of the seat of industry, which seemed to have been firmly established in Western Europe in the nineteenth century, should have taken place, and that less exploited regions should have had their turn at the founts of prosperity, but he will not wonder that every device which ingenuity could suggest was resorted to in order to avert the commercial decay which such a transference necessarily involved. Perhaps acquired experience will have taught the economist of the future that the benefits of an easy interchange of commodities were more fanciful than real, and that it resulted much oftener in repression of productivity than in its promotion.

That such a conclusion would be inevitable if the Oriental nations of the world should become active rivals of Western peoples in manufacturing, without acquiring the habits of Westerns, seems indisputable. It is contended, however, that the first named phenomenon could not occur without being closely followed by the other. If this assumption could be established there would be no cause for apprehension, but before it can be accepted as sound numerous experiences, all tending to show that the ingrained habits of centuries cannot be changed in the twinkling of an eye, must be explained away. The fact that the Chinese who have found their way to this country have for a long period been in the enjoyment of rates of compensation which would have enabled them to materially raise their standard of comfort, but that they have refused to do so, is significant and warrants the assumption that the same result would occur in the country from which they come if Western industries were introduced.

The evidence that the Orientals referred to are not induced by example or opportunity to become thriftless is overwhelming. The practice of herding together in large numbers in close quarters continues in California, although the race has enjoyed half a century of comparative prosperity in the State. There is no disposition whatever exhibited by these Orientals to imitate the individualism of Western peoples which leads even the illy compensated laborer to exhibit personal taste in the selection of his dress. Even in the matter of alimentation it has been observed that Chinese domestics in the service of Americans of luxurious habits, as a rule, prefer to adhere to a simple diet of rice and common vegetables rather than indulge in the variety which the employer's table affords and of which they are free to partake. As for the Chinese workers in store and clothing factories, it is doubtful whether they ever think of such a thing as a more varied ration than they were accustomed to at home,

although their desires may extend so far as to impel them to increase their indulgence in rice and pork.

No matter how impressively Samuel Smiles may discourse on the beauties of abstemiousness and the virtues of thrift, it must be admitted that when they are carried to extremes they result disastrously to that expansion which is considered by economists to be essential to progress. We may study the case of an individual who by the practice of self-denial during thirty or forty years has laid aside a sufficient sum to maintain himself in comparative comfort during the closing days of his life, and freely admit that it has been a good thing for the person under consideration. But it is quite different when we come to inquire into the effects of abstemiousness upon society and ask ourselves what would be the result if Western men were as a rule thrifty instead of being the reverse. If they were, a condition of affairs analogous to that witnessed in China today, and, on a smaller scale, in the colony of 30,000 Chinese making their home in San Francisco, would inevitably exist. If all Europeans compelled to toil for a living should decide to avoid the use of unnecessary food and drink, and carefully refrain from the purchase of articles of clothing or utensils and furniture for household use not absolutely required, and consent to live in cramped quarters until they had saved enough money to indulge their fancies, it is more than probable that the very aim of thrift would be defeated by impairing the opportunity to earn a competency. Writers, such as Smiles, quite overlook the fact that opportunities of obtaining employment, rate of wages and consumptive ability bear a close relation to each other, and that to greatly curtail consumption by the practice of thrift would certainly react on the wage earner.

The exercise of thrift by the individual undeniably gives him an advantage over the thriftless, but it is an advantage which could not be achieved if the world was made up of people accustomed to the practice of rigorous economy. Intelligently regarded, the self-denial practiced for the purpose

of accumulating capital is at once seen to be intensely selfish, for its ultimate purpose is to profit by the indiscretions of those who are too foolish or weak to undergo temporary discomfort for the sake of future advantage. And while there is undoubtedly an essential difference between the thrift practiced by a Western—which almost invariably is consciously or unconsciously directed by the desire to accumulate capital for future use—and that which centuries of habit have forced upon the people of Oriental nations, the result in both cases, if the propensity is carried to extremes, must be nearly the same.

If it is true, as nearly all economists are ready to concede, that labor is the chief factor in production, then it must be obvious that the country which has the most abundant supply of the cheapest labor, all things else being equal, will succeed in a struggle in which competition is absolutely unrestrained. But the persons who antagonize the idea that the Orientals may become formidable competitors of Western peoples declare that the differences which now exist between Orientals and Westerns, and which give the latter an advantage over the former, cannot be removed, and that they will always suffice to counterbalance the cheapness of labor even should the conditions fail to materialize which another set of theorists say must inevitably arise in the event of the general introduction of modern industrial methods into the Orient.

Those who tenaciously cling to the belief that there can be no formidable competition between peoples of varying grades of intelligence and accomplishment do so in defiance of a mass of testimony which seems to conclusively establish that it may be possible for an imitating nation under a system of unrestrained commercial rivalry to seize the fruits which the originator should have gathered. In a monograph on the subject of Japanese competition a writer has grouped together a great quantity of evidence on this point.\* He

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\*Young, *Competition of Oriental Manufacturers and the Industrial*

showed that in many lines of industry, notably in the spinning and weaving of cotton with improved machinery, this people had made remarkable advances, and that the probability was largely in favor of their continuing to do so. The arguments advanced were assailed in many quarters, and the issues involved were somewhat obscured by the introduction of the question of currencies, but, on the whole, it may be confidently urged that there was a tacit admission on the part of the disputants that there is no obstacle to the building up of a great manufacturing industry in Japan.

Denial of such a possibility would be useless in the face of the multiplying proofs of the fact. There is therefore no longer any attempt made to do so, but instead the efforts of theorists are directed to demonstrating that the advent of the new rivals will prove beneficial rather than detrimental to Western manufacturers. To support this curious contention they cite the increased exportations of Western countries to Japan and endeavor to convey the impression that the threatened mighty dislocation of the world's industries is a figment of the imagination, and that the movement now in progress is merely a readjustment of the manufacturing energies of the world in which the Western peoples will be sure to come out ahead. These optimists carefully close their eyes to the fact that the increased takings of goods from foreigners by the Japanese are ominous of intense future rivalry. They willfully ignore the continuously increasing demand for machinery, or rather they refuse to recognize the fact that its use in Japan is displacing English, German and American labor.

It may be gratifying to those particularly concerned in the production of cotton spinning and weaving machines to note in the exports of articles of British manufacture that there is a large increase in this line, but the movement will scarcely be regarded with equanimity in Lancashire, where

the population has long since outgrown its opportunity for employment and capital has ceased to hope for steady remuneration. The increasing exports of raw cotton to Japan from this country may be considered in some quarters as an unmixed benefit, but the manufacturers and operatives of the New England cotton mills can hardly be persuaded to accept this view of the case while eagerly seeking an outlet for their surplus products, the failure to find which they know will be attended with enforced cessation of operations and reductions of wages.

The tendency of professional economists to underrate the teachings of experience is unfortunate. If it were not for this habit the fact would be constantly kept in mind that the views respecting the inability of the Japanese and other Orientals to successfully establish manufacturing industries capable of rivaling those of the Western world are merely a repetition of those advanced a half a century ago by all classes of Britons when considering the subject of American competition. Our estimate of the capabilities of the Japanese and Chinese of to-day may be as far removed from accuracy as was that of the British who once freely opined that Americans had not the skill and could not accumulate the capital necessary to engage in successful rivalry with nations having a record of industrial capacity extending back for centuries.

It would be repetition to introduce in this place the proofs which signally confute the erroneous view referred to, but they may be condensed into the assertion that at the beginning of the present century and during the greater part of the first sixty years since its opening, American skill and mechanical capacity were rated far lower than the people of the Occident are now inclined to estimate Japanese ability and ingenuity. It would be difficult to find in English publications of the middle of the century tributes to American skill and taste as emphatic as those quite recently paid by Rein, Edwin Arnold, Henry Norman, Leonowens and others, who, after a careful study of the characteristics and capacity

of the Japanese, have united in the expression of the conviction that in adaptability they excelled most peoples and that skill and taste are the common possession of all classes in Japan.

A people with such qualifications who have the wit to pursue the course described by a Japanese scholar connected with an American educational institution are not to be despised as competitors. "From the time of the bombardment," says this witness, "Satsuma and Choshiu began to introduce European machinery and inventions, to employ skilled Europeans to teach them and to send their young men to Europe and America to acquire industrial and other information."\* The inevitable results of such a policy are described at length in the Congressional document above referred to and are being supplemented almost daily with information all tending to show that Japanese and other Oriental competition is a factor that must be reckoned with, and that it would be a fatal error to assume that it will require centuries of training in modern methods to bring these people, whose development has been arrested for ages, to a stage that will make them industrially formidable.

There is an opinion entertained in some quarters that the Japanese are incapable of developing the inventive faculty, and that this drawback will prove fatal to any hopes they may entertain of surpassing Western peoples who have shown that they have the gift of origination in a remarkable degree, but this assumption is probably without foundation. There is evidence that in due course of time, when the proper stimulus is applied, inventiveness will display itself in Japan and other parts of the Orient. It would be singular if China, which claims, or has, the credit of originating paper, explosives and a score of other great utilities, should have entirely lost the power of invention. The probabilities are that

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\*Iyenaga, Constitutional Development of Japan, Johns Hopkins University Political Science Series.

it is only dormant and that some day the Orientals will be fully abreast of other peoples in this regard.

But whether this proves to be the case or not is immaterial to the present contention. Indeed, it is possible that a high development of the imitative faculty may prove more injurious to Western peoples than marked progress in the direction of originality. We have only to consider that the chief wants of the human race are supplied with staple products the character of which changes very little in the course of ages to realize how small a part originality plays. The people of the Orient have been using textile fabrics made by hand for centuries, and these products of the peasant's loom have been but slowly displaced by the manufactured goods of the Occident. The caprices of fashion are practically unknown in the East and the desire for change is non-existent. This was quickly perceived by those engaged in catering for Oriental trade, and for a long period the aim of the British has been to supply the markets of China and other parts of Asia with articles that the people are familiar with. The impulse to improve either in design or quality has been absent because necessity has not acted as a stimulus. If economists will take the trouble to peruse the Consular reports of the British, or those of our own country, they will gain some valuable information on this point. It will be seen from these documents that great emphasis is placed upon the necessity of consulting the prejudices—we can hardly call them tastes—of the people of lands where there is no developed manufacturing industry. There are instances without number in these official suggestions of severe deprecation of the mistaken idea that an article superior in quality or appearance can displace one to which a semi-civilized or backward people has become habituated. The Germans and English have long been accustomed to acting on the knowledge of this characteristic, and shrewd manufacturers refrain from attempting innovations.

In this peculiarity lurks a grave menace. The extraor-



dinary tenacity with which the Oriental clings to the habits once formed may prove an offset to all the advantages which inventiveness should confer on its possessors. It is possible that the introduction of machinery into the Orient may result in absolute retrogression in many industries, or, at least, in an arrest of the tendency to create labor-saving appliances. The suggestion seems revolutionary, but it needs only to be studied closely to discover that cheap labor in overwhelming abundance may serve the purpose of mankind as effectively as automatic machinery which dispenses with the use of human labor and leaves the displaced laborers to shift for themselves.

If the textile machinery of the West is introduced in its present state of perfection into China, and the natives of that country are taught to manipulate it successfully, it would require improvements of almost inconceivable importance in the direction of labor saving to permit the people of such countries as the United States and England to compete for the Oriental trade or to withstand Oriental competition at home.

That the Chinese will experience no difficulty in learning to manipulate spinning and weaving machinery no one acquainted with the progress made by the Japanese in the cotton textile industry will doubt for a moment. In 1897, in spite of a severe depression due to currency troubles,\* Japan increased its imports of raw cotton by 31,941 tons. In the year named the consumption of the raw product by Japan was nearly 150,000 tons, and it is highly significant that some of its takings were from countries which were suffering from overproduction of cotton textiles. Of the quantity mentioned British India supplied 180,053,500 pounds, China 65,482 pounds, the United States 46,365,097 pounds. † While the

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\*Lay, Report of Assistant Japanese Secretary to Her Majesty's Legation at Tokio.

†Giffen, Letter to London Times, May 18, 1898.

Japanese were drawing on us for raw cotton our mills were shutting down to afford an opportunity to work off surplus stocks of cotton textiles, and incidentally to bring American operatives to a realization of the fact that this country, in order to hold its own, will be compelled to conform to the labor conditions of other parts of the world.

What has been accomplished in Japan will be more than matched by the future achievements of her near neighbor, China. No matter what may be the present condition of the people of that country, it will speedily be transformed when Western methods are once introduced. There are many who are disposed to take the fatally erroneous view that there can be no awakening in a nation which has been steeped for centuries in ignorance, and in which conservatism has been pushed to such extremes as to be indistinguishable from lethargy. But those who know anything of the industrial history of the foremost nations of Europe are aware that their peoples passed through an experience not essentially different from that which is regarded as a fatal barrier to future progress in China. We are told by the closest student of English industry in the Middle Ages that "there is no part of the Western World in which so little change was induced on the fortunes, on the life, and on the habits of the people as in rural England from the peaceful reign of Henry III to the earlier years of George III,"\* and the same writer reminds us that for centuries the use of iron in agriculture was so restricted in England that wooden pegs were used for harrow teeth and that the plow was merely a wooden frame with an iron point.† When we call to mind that the use of iron and steel must have been common in the days of the Roman occupation of Britain, and that in many provinces of the great empire of antiquity agricultural machinery resembling or at least foreshadowing the great labor-saving appliances of modern times was used, the recurrence to primitive methods seems marvelous.

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\*Rogers, *Six Centuries of Work and Wages*, p. 86.

†*Ibid.*, p. 88.

The British and other peoples subject to Rome must have been acquainted with these aids to agriculture. We are therefore compelled to conclude that their abandonment indicates a condition of affairs in all parts of Europe, for a long period after the collapse of Rome, which presents a close analogy to that now witnessed in China.

Who will be so bold as to predict that the experience of Europe will not be repeated in China, and who so short sighted as to be unable to see that there are forces now at work which will cause the awakening to be abrupt and not a drowsy and slow return to industrial consciousness and activity? When Europe lost the arts and sciences and was plunged in the darkness of the Middle Ages a religious impulse moved her people to invade countries equally steeped in lethargy, but in which the survivals of great industrial accomplishments were more numerous. When the Crusaders returned to their homes they brought with them suggestions and ideas as fresh and marvelous in their way as those which Columbus and his fellow explorers returned with from the newly discovered Western Hemisphere. It was from these ideas brought from Saracen countries that much of the cunning and skill of modern Europe was subsequently evolved. It was a slow and painful process, and many centuries were occupied in bringing the flower of Western industry to its present perfection.

But there is no likelihood that there will be a repetition in the Orient of laborious efforts to recover lost knowledge and to gain that which is new. We need but watch the career of Japan during the past forty years to have borne in our minds the fact that there are forces at work which were undreamed of during the centuries preceding this, and which make the dissemination of the wisdom and skill of ages a matter of generations and not of cycles.

In another place the mobile feature of capital has been dwelt upon at length; it is, therefore, unnecessary to repeat the evidence which conclusively proves that under the mod-

ern competitive system it can be obtained in sufficient quantities to call forth all the dormant energies and abilities of Oriental peoples. That those who own the capital which may be employed for this purpose will not shrink from the consequences which the extension of aid to the Orientals may entail it is hardly necessary to state. Those who invest their money in the bonds or shares of joint stock enterprises seldom if ever concern themselves further than to ascertain whether their investment is likely to prove safe and whether there is a reasonable ground for expecting an adequate return in the shape of dividends or interest. There is not one shareholder in a million who would be deterred by sentimental considerations from receiving profits earned by a company that had driven another into bankruptcy; that is part of the game.

This being the case, we may assume that the tendency to invest in Oriental enterprises, which began to manifest itself some years ago, will increase, and as the opportunities to employ capital in the Far East are extended more and more of it will be attracted to that quarter of the globe. In the beginning the nations with established industries will experience no evil results from these investments. Their hurtful character will be disguised by figures showing expanding exports. For some time to come the persons dissenting from the proposition that Oriental competition has menacing elements will continue to expatiate on enlarged exports of machinery and such raw products as cotton, but when the day arrives in which the Chinese and Japanese shall have mastered the use of modern contrivances and are able to not only supply their own needs but will create a surplus which their cheaper labor will enable them to sell at prices which the Western cannot compete with, a revulsion of feeling will take place, and the false economic theory that the interest of the consumer is of paramount importance will be abandoned, and in its place will be substituted the more rational economic idea that the producer is of more consequence than he "who toils not nor spins."

## CHAPTER XVII.

### FORMATION OF TRUSTS.

#### WHY THEY EXIST AND HOW THEY MAY BE RESTRAINED.

Causes that lead to the formation of trusts or combinations—The vice of commercial wrecking directly promoted by competition—Mr. Mallock's "great man" theory and its defects—Labor today responds to the spur of necessity just as the builders of the pyramids did to the slave driver's lash—The great men who provide work are not always public benefactors—A system which compels the consumer to pay for unnecessary facilities—The captains of modern industry harder taskmasters than the Pharaohs—The supply of brains at the command of capital becoming larger and the compensation smaller—Rogers' prediction that disregards of the rights of labor may result in revolution—Automatic increase of the value of capital—The growth of protection due to recognition of the dangers of unrestrained competition—Competition under restraint and capital under regulation may avert the danger of socialism—The delusive benefits conferred by trusts—Trusts not confined to protectionist countries—Growth of international trusts—The remedy for trusts must be a national one.

In the concluding paragraph of the discussion of the probability of the Orientals engaging in a manufacturing competition with Western nations the opinion was expressed that in the near future the world would be compelled to recognize the necessity of considering the claims of the producer as superior to those of the mere consumer. This view is based on the belief that it will soon be perceived that the relegation of the producer to a secondary place has brought disaster to mankind. In all countries and in all ages where the consumer has been esteemed of more conse-

quence than the producer a condition akin to slavery has existed. The principle that the needs of the consumer are of paramount importance is the corner stone of slavery, and the Cobdenites boldly appropriated it and worked it into the economic edifice they sought to erect.

This is not an extravagant or far fetched comparison. The most limited intellect can grasp the fact that the institution of slavery, whenever and wherever it has existed, has always been maintained for the purpose of permitting one class of the community to live in comfort and idleness at the expense of the other. The ancient Romans, who, in the management of their slaves, had developed a degree of ferocity which tinged their laws and communicated its brutalizing influence to every class of society; the gentle Sir Thomas More, who, in his "Utopia," pictured a future in which the path of life would be strewn with roses, and the modern free trader are at one on this point. They are all perfectly agreed that the consumer is the first to be considered.

There is no essential difference between a society in which necessity compels some men to do all the menial work and that in which a man is made a chattel by the fortunes of war or process of law. In "Utopia" all the uneasy and sordid services about the halls were performed by the slaves of the Utopians\*; in a modern industrial nation similar services are performed by the slaves of necessity who masquerade as freemen. The term slave is an opprobrious one, but some of those who wore it in ancient times looked down upon freemen who were the real slaves. In the days of the Roman Empire, when the toiling masses were taxed to contribute to the luxuries of the rich, which were enjoyed as much by the favored slave as by his owner, the chattel, if his mind had a philosophic bent, would naturally regard the wretch who toiled to contribute to his comfort as the real slave. Liberty is a precious boon, but when it brings no other blessing in its train than the right to toil early and late for a

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\*More, *Utopia*, p. 95.

meager subsistence, or, worse still, merely confers on its wretched possessor the privilege of starving to death or of being rescued from such a fate by taking refuge in an almshouse, if he cannot obtain employment, it ceases to be regarded with excessive admiration.

That the elevation of the consumer to the first place in an economic system must inevitably result in the conversion of men nominally free into actual slaves is practically admitted by such men as Sir Robert Giffen, who point to the increase of social wreckage and do not hesitate to attribute it to the relentless workings of a system which, on the whole, they profess to admire, and which they try to defend by citing facts tending to create the impression that the general condition of mankind is being improved at the expense of the comparatively few.

It may be conceded that the general improvement which Giffen and others claim has taken place in recent years has really been effected, but that it has been brought about by the practice of an irrational and unscientific system of trading is preposterous. What gains have been made can easily be traced to other causes than the cheapening of products by excessive competition. The evils which the latter constantly brings in its train are incomparably greater than the benefits, as we are learning to our sorrow.

Unless the world rejects the theory that the consumer's interest must be the first consideration of statesmen and economists the inevitable outcome will be state socialism and communism in its most extreme form. If we continue to act on the assumption that we need not regard "the lowest class or residuum of modern populations" so long as "the ablest employers secure by their struggle with rivals" a vast increase of wealth, a small proportion of which they share with the population generally, we shall surely drift upon the rock which the antagonists of socialism are endeavoring to steer clear of.

The author from whom the immediately preceding quotations are extracted thinks that workers are as much inter-

ested in the maintenance of the competitive system as anybody, and rebukes the socialists, "who propose to abolish the competition by which the workers benefit, because they confuse it with competition by which the workers suffer."\* But the question arises: how can the competition which may be beneficial be distinguished from that which is pernicious, or may ultimately prove so?

One of the features of modern industrialism is the consolidation of small establishments into one great concern, combinations which are known in this country as trusts. In the earlier stage of their existence these subsequently consolidated industrial establishments by their rivalry stimulate consumption. But as soon as competition becomes excessive and profits are reduced to a minimum, or operations are carried on at a loss, some one with a capacity for organizing suggests a combination for the purpose of diminishing production, the object being to arrest the fall of prices brought about by rivalry, and to thus restore profits. It is obvious that when a process of this kind is in progress no one can determine whether competition will prove beneficial or the reverse. It is impossible under such circumstances to tell whether rivalry is natural—that is, responsive to supposed demands of consumers—or merely something promoted for the purpose of compelling entrance into a trust in process of formation or into one already formed.

Much of the competition of modern times partakes of this latter character. It is inspired by speculators, who make no pretense of ascertaining the wants of existing or prospective markets; their only purpose is to make money at the expense of the industry and sagacity of others. They occupy a position in modern industrialism similar to that held by the robber barons of the Middle Ages; the only difference is that the latter maintained their power over the trading and working classes of the period by force of arms, while the depredator of to-day uses the more potent weapons which custom and law sanction.



Not only do men practice blackmail under the guise of rivalry in these days, but as Ernest von Halle, who has made a careful study of the working of trusts in this country, says: "The organizers of some trusts have no other purpose than the creation of a marketable, of an enlarged opportunity for speculation, of which they abundantly avail themselves";\* and he tells us that these same speculators who unduly stimulate rivalry for the purpose of creating marketable paper occasionally wreck their creations "in order to give a chance to the spoliation of reorganizers."

In the face of such experiences the defenders of excessive competition find it difficult to justify a policy of *laissez faire* except in the manner quoted. They insist that interference of any kind must prove injurious to trade and blind themselves to the fact that enormously greater evils may flow from non-resistance. Mr. Mallock, who tells us there is a competition by which workers benefit as well as one by which they suffer, does not propose to hinder the growth of the latter kind of rivalry, but, instead, treats his readers to a description of a purely imaginary class of aristocrats to whom the destinies of the world are to be committed because they have the capacity to find work for idle hands to do. In order that this aristocratic class may work successfully there must be an absence of all restraint; the policy of let alone must be complete.

Mr. Mallock, in the development of his "great man" theory, tells us that "a large number of the great works of antiquity were due to labor successfully stimulated by the whip. But," he adds, "it is only a man's commonest faculties that can be called into action thus; and they can be called into action thus only for this reason—that those who coerce him know that these faculties are possessed by him, and they also know the task which they wish to make him accomplish. But in the case of the great man both these conditions are

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\*Von Halle, *Trusts and Industrial Combinations in the United States*, p. 137.

wanting. It is impossible to tell that he possesses any exceptional faculties till he himself chooses to show them; and until circumstances supply him with some motive for exercising them he will probably be hardly aware that he possesses such faculties himself. Moreover, even if he gives the world some reason to suspect their existence, the world will still not know what he can do with them, and will consequently not be able to impose on him any task until he himself chooses to show of what he is capable.”\*

It is to give the great man thus described an opportunity that Mr. Mallock justifies unrestrained competition and deprecates all advances in the direction of socialism. We may agree with him to the extent that the withdrawal of stimulus to exertion in the shape of reward would prove a fatal obstacle to progress, but in doing so we find it impossible to assent to his assumption that the superior minority to whom all progress is due is composed of that class which finds work for human hands to do. Mr. Mallock tells us that “great men do not come into the world ready made. \* \* \* The philosopher, the soldier, the inventor, the statesman, the great merchant or manufacturer, achieve success only by prolonged and intense effort, by study, by concentrated thought, by action, by rude experience. Genius,” he adds, “has been defined as an infinite capacity for taking trouble; and the definition, though very incomplete, is, so far as it goes, true.”\*

Now, if all the great men were of the kind here described, it might be conceded that the system which makes the modern workingmen as serviceable in their hands as were the toilers who produced the great works of antiquity under the stimulus of the whip should be allowed to operate without restraint. But as it can be easily shown that many if not all the great modern industrial enterprises are called into exist-

\*Mallock, *Aristocracy and Evolution*, p. 277.

\**Ibid.*, p. 152.

ence by the selfish instinct which prompts men to continually add to their acquisitions, and that in most cases the genius required to carry them out, even the inspiring suggestion, comes from men who are under the spur of necessity and are as inexorably driven to exertion by circumstances as the toilers of antiquity were by the whip, it is at once seen that the circumstances which operated in the days of the Pharaohs are at work in full vigor to-day, their form only being changed. And when we add that the most conspicuous works of the Pharaohs were of as much utility to their builders as many of those called into existence by the aristocrats of modern industry, the men who promote undertakings for the sole purpose of earning dividends for stockholders and who do not ask themselves whether their efforts will benefit or harm their fellow creatures, we are making a statement which can easily be proved.

The pyramids of Egypt may have had a more important use than the sepulture of the bodies of their creators, but the probability is strong that they owe their existence to the promptings of human vanity and superstition. They have been the wonder of mankind for ages, and as monuments of what man can achieve they may have justified their construction. But as objects of utility their value can be expressed by zero. It would be a mistake, however, to suppose that the folly, or whatever it may be called, which impelled the rulers of ancient Egypt to force armies of men to rear these enormous piles is not matched in our own days. When the story of the stupendous waste incurred in carrying out entirely fruitless undertakings in modern times is told it will be seen that the Pharaohs were not able to achieve more with the aid of slavery and the accompanying lash than modern speculators have accomplished, and are constantly accomplishing, with the assistance of legions of toilers who respond to the touch of the spur of necessity.

It is not necessary to multiply instances to substantiate this charge. One case will illustrate the whole, but who is it that

cannot from the leaves of his own experience supply facts which tend to show that in modern times the incessant and overpowering stimulus of the desire for money-making leads to undertakings in no sense responsive to real needs? Who has not at some time or other seen idle mills, rendered useless by the arrival on the scene of a fresh competitor with more capital? Who that has lived in a city has failed to note the multiplication of warehouses and storerooms when the existing condition of affairs unmistakably indicated that the supply was already largely in excess of the demand; and who does not know of the construction of parallel lines of railroad through countries which could ill support a single company, the object of the builders of the latest highway being to compel the companies first on the ground to share their profits or buy them out?

Measured by Mallock's standard, the projectors of all the useless as well as the genuinely productive enterprises must be regarded as "great men," the aristocracy of industry, because they have set the multitude at work. It is true that Mr. Mallock speaks of "productive faculties of the highest order which not only minister to progress, but initiate it, and which make, as if by a conjuring trick, the hands of the average laborer produce new commodities of which he never would have dreamed himself";\* but his remarks on the operation of private capitalism clearly indicate that his definition of a "great man" embraces all that class who succeed in setting on foot enterprises which furnish some men with an opportunity to earn their subsistence, and that he does not exclude from it those who diminish the opportunity to earn a living and help to swell the social wreckage by so doing. He tells us that under the regime of private capital "the fitness or efficiency of each great man in according to the acceptability to the public of the goods or services which he offers them," and he adds: "If the public are not pleased with these goods or services they do not buy or

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\*Mallock, *Aristocracy and Evolution*, p. 333.

demand them; and the capital of the man by whom they are offered, not being renewed by any money received, melts in his hands, and with it his control over other men's labor."\*

Let us take a modern instance and see who the great men would be under this definition. Nothing could more pertinently illustrate the subject than to epitomize the history of an unnecessary parallel railroad. The most of these roads in this country have been called into existence by men who saw an opportunity to make money by promoting a new enterprise, but many of them have been started for the deliberate purpose of compelling an already established line to buy off the blackmailing projectors. But various motives combine to prevent the nipping in the bud of these uncalled for transportation facilities and some of them are carried to completion. Then ensue rate wars in which the consumer for a time enjoys a fancied advantage, but which are soon composed through the instrumentality of pools or analogous devices. Subsequently a combination is effected and the affairs of the amalgamated lines are so adjusted that the capital invested in the superfluous line is made to pay equally with that invested in the road really needed.

Let us take the evidence offered on behalf of the great men of industry engaged in the railroad business by a competent authority and see whether the effect of promoting enterprises which give work to men are always beneficial. Speaking of pools, which are rendered necessary by the character of the competition referred to above, Appleton Morgan says: "These pools are the legitimate and necessary results of the rechartering over and over again of the railway companies to transact business between the same points by paralleling each other. So long as the people in their legislatures will thus charter parallel lines serving identical points—thus dividing territory they once granted entire—it is not exactly clear how they can complain if the

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\*Mallock, *Aristocracy and Evolution*, p. 167.

lines built (by money invested, if not on the good faith of the people, at least in reliance upon an undivided business) combine to save themselves from bankruptcy. \* \* \* Against the inequality of their own rates and the hardship of the long and short haul (in other words, against the discrimination of nature and of physical laws) no less than against the peril of bankruptcy and the consequent speculative tendency of their stocks (after which may come the wrecking, the watering and the vast individual fortunes), the railways of this republic have endeavored by establishment of pool commissions to defend both the public and themselves.”\*

It is not necessary for the writer to point out that he does not share the belief entertained by Appleton Morgan, who holds the theory that the state should assist the railroad first on the ground to maintain its monopolistic position. The passage quoted is merely introduced to show that the ultimate result of unrestrained competition in railroading is combination, and that the advantage of excessive competition to the consumer is illusory and not real; and to further emphasize this fact an extended extract from another publication is introduced which will show the process by which independent lines are merged into a harmoniously working system, and the bad and unnecessary investments are made to pay equally with those responsive to real needs:

“Take the case of the New York Central and Hudson River Railroad companies, which consolidated in 1869 with a capital of \$103,110,137.31. The former of these roads was organized in 1853 by the consolidation of ten smaller roads connecting the cities of Albany and Buffalo. The capital stock of these companies amounted to \$20,799,800, of which \$16,852,870 was claimed to have been paid in. Their funded debt was \$2,497,526. It is impossible at this day to ascertain the original cost of these roads, but it is certain that the above sums represent about three times the amount actually expended for their construction.

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\*Morgan, *The People and the Railways*, pamphlet, 1888.

“One of the roads entering into the consolidation was the Utica and Schenectady. It was seventy-eight miles long and formed about one-fourth of the consolidated line. It had the heaviest grading and rock cutting, was the best equipped and undoubtedly the most expensive, in proportion to its extent, of the ten roads out of which the New York Central was created. The original cost of this line was \$2,000,000. Bonds were never issued by the company. The line was profitable from the very beginning, paid regularly 10 per cent dividends—the limit to which railroad companies were then restricted—and had a large surplus, which it expended mainly for improvements. No assessment was ever made on the stock beyond the \$1,500,000 which was originally paid in by the shareholders and upon which they had drawn regular and liberal dividends. Taking the original cost of this line as a basis, it is fair to presume that the entire line from Albany to Buffalo, covering a distance of 297 miles, did not cost to exceed \$6,000,000. These roads, however, entered into the consolidation with a capital stock of \$15,274,800 and a bonded indebtedness of \$1,696,326.

“Estimating the cost of the branches on the same basis upon which we have estimated that of the main line, we shall find that the total original cost of the consolidated lines cannot have exceeded \$8,000,000. The Mohawk Valley road was put in at \$2,000,000, and the Syracuse and Utica direct at \$600,000, though the roads existed only on paper and did not represent any value whatever. The Schenectady and Troy road, which went into the consolidation with \$650,000 in stock and \$90,000 bonds, had been bought for less than \$100,000 two months previous to the consolidation.

“It will thus be seen that already nearly one-third of the stocks and bonds of the consolidated companies was water. The consolidation agreement fixed the capital stock of the New York Central at \$23,085,600 and its funded debt at \$11,564,033.62, increasing the stock over \$2,000,000 and the bonded debt over \$9,000,000. The latter was more than quadrupled, and \$8,000,000 worth of bonds was, under the

same consolidation certificates, given as a present to the stockholder of the new road. \* \* \*

“At the time of the consolidation of the Hudson River and New York Central Railroads the capital stock of the two roads had grown to \$44,800,000. Under the consolidation agreement it was fixed at \$45,000,000. The new company also assumed all the bonded and other indebtedness of both roads. If the consolidation manipulators had paused here the capital of the new company would have been somewhat less than \$60,000,000, or more than three times the cost of the property. But the road was, under existing rates, capable of earning dividends on a much larger capital, and this emergency was met by the issuance of consolidation certificates to the amount of \$45,000,000. The total capital of the road was increased to and made to pay dividends on over \$103,000,000, while the total cost of the road and its equipments, as claimed by the company in 1870, was less than \$60,000,000, their estimates being based on assumed consolidation values and the expenditures made from surplus earnings. During the same year the gross earnings of the company were \$22,363,320 and their net earnings \$8,295,240. In 1880 the gross earnings had increased to \$33,175,913 and the net earnings to \$15,326,019. The company was able to declare in that year 11.81 per cent. dividend on its \$89,500,000 of fictitious stock. In 1890 its gross earnings were \$37,008,403, or \$26,050 per mile, while its total net earnings were \$12,516,273. The gross earnings have largely increased during the years 1891 and 1892. It is safe to say that \$2,000,000 per annum would pay very liberal interest and dividends upon the amount of money expended upon the construction of the New York Central and Hudson River Railroad from the proceeds of its bonds and stocks. By the creation of fictitious values the managers of the company have attempted to impose an exorbitant tax upon the commerce and travel of the country for all time to come.

“The case of the New York Central and Hudson River Railroad Company is only one of the innumerable instances



of stock watering in the history of American railroads," says the writer from whose work this extended description of the method of manipulation is taken.\*

The writer from whom the information is derived furnishes other illustrations equally striking and pertinent of the facility with which enterprises, ostensibly for the public good, but really having as their chief object the procuring of returns to investors, are promoted in the United States. Had he brought his work down to 1898 the author might have cited the purchase by a syndicate, under foreclosure proceedings instituted by the United States Government, of a railroad which could have been replaced for perhaps half the money paid for it by the purchasers, who were willing to expend millions because they were fully assured that under the remarkable system which prevails in this and some other countries they could easily compel the patrons of the line operated by them to pay them handsome returns upon their investment.

Now, if Mr. Mallock was called upon to reduce his abstractions to concrete propositions with illustrations drawn from the practices of every day life he might probably point to the creators of the great Vanderbilt system of railroads as shining examples of his "great man" theory. A superficial view of the matter certainly would suggest that the Vanderbilts and their associates are entitled to be considered "aristocrats of industry." The lines operated by them employ thousands of men and they serve millions of people, but a close analysis of the statement made by Larrabee shows conclusively that under the guise of public benefactors the projectors of the New York Central, and other roads that have been similarly manipulated, have usurped the functions of the taxgatherer and have laid their plans for taking toll from the people until the end of time.

The Pharaohs of ancient Egypt, when they constructed

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\*Larrabee, *The Railroad Question*, pp. 165-168.

works of public utility, such as the mighty irrigation lakes and the enormous granaries with which the valley of the Nile was supplied, although they were hard taskmasters and applied the lash unsparingly, were at least sufficiently mindful of the obligations incurred to supply the people out of the common stock of the product of the land. "The agricultural population in Egypt," says Simcox, "habitually produced by their labor more food than they consumed. It was the rule for them to produce enough for their own maintenance and something to spare for the privileged few; this surplus was withdrawn from the producers year by year, so that they themselves had no opportunities for accumulating wealth, and it was spent, so far as its titular owners were concerned, in unproductive works. Considering the industrial organization of the country, it could not, however, have been laid out more to the advantage of the laborers. The hoards of the wealthy served virtually as grain banks, upon which a proportion of the cultivators could draw for wages when their services were not required to keep up the food supplies for current necessities. Egyptian corn was not sent out of the country to buy foreign luxuries or articles of ostentation for which the demand could be indefinitely increased so as to swallow up all the accumulations of the rich; neither was the demand for laborers limited by the power of the capitalist to drive a remunerative trade in the produce of their work. Practically the whole of the hoarded food was spent in maintaining the 'eaters of rations,' and as in no case did they expect or receive more than maintenance they submitted without any sense of injury to the regime which caused the spare labor of the community (i. e., their own) to be spent in erecting royal monuments, private tombs, temples of the gods, and in maintaining officers, prelates and sacred animals, instead of in raising the general standard of comfort or luxury.

"On the other hand, as monuments could only be built if there were workers to hew and drag the stones, and food to

feed them withal, if the peasant's share of the food supply fell short of his needs, it was taken for granted that those to whom his labor was habitually useful should keep him alive, irrespective of any present demand for his services; and in practice, no doubt, the masses were fed in bad years by free distribution of grain the equivalent of which in labor must have been given as a rule, before or after, not during the year of exceptional scarcity. \* \* \* The relations between all sections of the community were conceived as continuous, or lifelong, and their character was not altered by temporary changes in the circumstances of one or another."\*

A careful thinker will not hastily assent to the proposition that the condition of affairs resulting from this system was superior to that produced in the present day by competition, but he will be amply justified in refusing to subscribe to the theory advanced by Mallock that men who have the ingenuity to bring about combinations of capital for the creation of great works of public utility, which, after being called into existence, are used as engines to extort from the people for the benefit of investors an undue share of the earth's products, must be regarded as benefactors. If they are, then the captains of industry in antiquity were incomparably greater benefactors, for they not only made the opportunity for the laborer to toil, but they recognized their obligations to maintain him at all times. The modern promoter of enterprises refuses to recognize any obligation. He merely accumulates for his own aggrandizement. He takes advantage of the necessity which forces men to work to carry out his plans, and when he has paid the wages, which are often regulated by the limit of subsistence, he assumes that he has done all that is required of him. Whether the bellies of the masses are full or empty is no concern of his; all he asks is regular returns on his investments, real or fictitious, so that he

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\*Simcox, *Primitive Civilizations*, Vol. I, pp. 69, 70.

may enjoy all the fruits of the earth and the power which the ownership of wealth commands.

But Mr. Mallock goes even further than this comment implies. He embraces in his list of great men those who have no more direct influence in promoting an industrial project than to furnish the capital for carrying it on. In the scheme of modern industrialism the ownership of capital is of infinitely more importance than the possession of brains; therefore Mr. Mallock may be justified in according to the infant in arms, who is represented by a guardian in a meeting of directors and shareholders, as much credit for keeping the machinery of the universe in motion as he does to the men of brains, who invent or project enterprises. Mr. Mallock would probably resent the imputation that he places the two on the same plane, but there is no escape from the conclusion that his argument really amounts to such an assertion.

In another place Mallock tells us that "civilization, even in its most material sense, does not consist of contrivances and inventions only," and "that the industrial efficiency of a community does not depend solely on the muscles of the manual workers being given a right direction so that they shall shape material objects in such and such a way, but it depends also on the movements which are prescribed to the men best fitted to perform them, and being prescribed to them in such order that when each movement has to be made the men told off to make it shall be ready to make it at the moment. Here we see," says he, "part of the secret of the success of the great contractor."\*

There is no doubt of this, but there is good ground for refusing to believe, as Mr. Mallock evidently does, that the great rewards offered by successful industry fall to the men who work thus capably. He tells us by way of illustration that "a mechanic could with ten minutes' atten-

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\*Mallock, *Aristocracy and Evolution*, p. 61.

tion comprehend the principle involved in a cantilever bridge, but to design and construct a bridge such as that which now spans the Forth, with its spans of six hundred yards and its altitudes of aerial steel, implies an assimilation of our multitudinous existing knowledge such as is hardly to be found in a score of engineers in Europe.”\*

Mr. Mallock's estimate of the number of engineers in Europe competent to design a bridge of the style and magnitude of that over the Forth is a surprisingly low one and seems to be negatived by the experience of Americans in bridge building. We think that those competent to speak will say that whenever the money is forthcoming for such an enterprise the engineering skill to design and carry it out successfully will be found in abundance in this country and in Europe. But that is not the point. The real question is: Do the capable men who suggest and carry out the great modern industrial undertakings receive their share of the rewards of industry as assumed by Mallock? Is it not true, on the contrary, that they do not, and that the lion's portion is absorbed by the owners of capital who, as individuals, play a smaller part in the industrial economy than the laborers, who at least provide the brawn and muscle with which undertakings are carried out?

No one familiar with the workings of modern industry will presume to deny that the ingenious and suggestive man can as readily be hired in these days as the man who merely has strength and acquired skill to offer. It is notorious that in the great industrial establishments men with the inventive faculty are employed for a salary on the condition that the fruits of their ingenuity shall become the property of their employers. In the same way men of capacity are maintained by corporations who earn the wages paid them by making suggestions which are carried into effect for the benefit of shareholders. It is a mistake to

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\*Mallock, *Aristocracy and Evolution*, p. 81.

assume that men of this caliber are scarce. The supply is nearly always equal to the demand and is continually increasing, because capable men without recognize the impossibility of competing with men who have capital, and who experience no difficulty whatever in hiring all the brains they need to carry out the most difficult undertakings.

It has been urged by some writers who have had this fact forced upon their attention that, after all, the really great captains of industry are those who show proficiency as organizers and achieve success by carrying out large schemes in which high organization is an essential factor. If anything this is a false pretense than that contained in the assumption of Mallock that it is the capable men who receive the great rewards of industry. The organizing faculty is not a rare one, as anyone may infer who will take the trouble to observe the facility with which combinations are effected. When the design of creating a trust is formed it is easily carried into execution. If the rewards offered to those invited to join it seem adequate the process is almost as simple as that of causing the scattered globules of a mass of quicksilver to coalesce by slightly inclining the surface on which they rest.

When A is seized by the notion that he would like to monopolize the trade hitherto done by his neighbors, B, C, D, E and F, if he has sufficient capital all he needs do is to put his enterprise in motion by hiring men of brains to carry out details, so called, which he could not himself execute, but a knowledge of which is absolutely requisite to success. The project, with the trained assistance spoken of, is then carried out with ease, provided the amount of capital is adequate. It is impossible, as everyone knows, under the modern system for the feeble competitor—that is, one who is illy supplied with capital—to withstand the encroachments of the owner of a large capital who can avail himself of every resource for cheapening production, including the purchase of brains.

We need only refer to the unquestioned fact that the men of brains whose services are so easily secured by capital could, if the capital was their own, carry out undertakings of the greatest magnitude without assistance. This capacity it seems should, according to the ideas advanced by Mallock, at least receive all the industrial honors if not the principal rewards; but we know that in practice this is not the case. The owner of capital not only takes the lion's share of the earnings of industry, but false economic teachers have persuaded the world to believe that he is the real fulcrum for the lever which moves the universe. A, who provides the hundred thousand dollars to purchase and operate the machinery, invariably receives the credit, while B, who suggested its use and manages it successfully after it is installed, must be content with a modest salary, which is regulated by the circumstance that there are plenty of men, equally competent, who would cheerfully take his job.

It is not desirable in this place to discuss the question whether capital deserves to obtain all the rewards it so easily secures. There are obvious flaws in the theories of the economists that, in the main, capital is the fruit of self-denial, and that, therefore, its possessors are entitled to all the advantages that may be derived from its ownership, and it may yet be demonstrated that the machinery of the universe can be made to work smoothly by some other means than that of rapacity and greed. But such a discussion would lead too far from the practical questions the world is now confronted with: Whether no restrictions whatever should be placed upon capital? and whether its owners should be allowed to freely combine? to make it desirable to enter upon it in this connection. What we are concerned to learn now is whether the contention of Mallock and others that the unrestrained competition of capital which results in the formation of combinations and trusts is really beneficial to mankind.

It has been held by eminent free traders that the effect

of unrestrained competition is to prevent trusts. J. Thorold Rogers tells us that "attempts to secure prices to producers against competitors have constantly been made and have constantly failed. The most profitable process hitherto known and employed is for strong men, or a combination of strong men, to ruin weak ones by low or unremunerative prices, and, having secured a monopoly, to commence a legal pillage of the public. But though the expedient may enrich individuals it is essentially transitory. Sooner or later competition reappears and extraordinary profits are arrested."\*

We may justly suspect that this opinion, which was expressed in one of a series of lectures, the principal theme of which was free trade, does not correctly convey the author's views, for in another connection, when making a special study of the subject, he arrived at a wholly different conclusion. He asserted: "We leave manufacturers to charge what they please for the process of transforming raw material into consumable articles with the conviction that competition will be a greater check to excessive rates than market regulations could be. But in the Middle Ages such a notion would have been repudiated, and justly so. Even now it is doubtful whether competition is of universal efficacy and whether it is not more correct to say that where combination is possible competition is inoperative."†

When a leading exponent of the principle of *laissez faire* is betrayed into making such an admission as that quoted and significantly suggests, as he does in another part of his work sketching the career of the English laborer, that the outcome of excessive competition may be a repetition of the social disorders witnessed in England four or five centuries ago, judicious statesmen will be pardoned for casting about for a remedy which may mitigate if it

\*Rogers, *Industrial and Commercial History of England*, p. 178.

†Rogers, *Six Centuries of Work and Wages*, p. 139.



cannot entirely eliminate the evil. Our writer tells us that the conviction entertained in some quarters that the rights of labor may be safely disregarded leads to dangerous consequences. He says, speaking of the agriculturalist, that "it is true that in the rudest agricultural, and even in the rudest pastoral age, the labor of the individual always produces more than is requisite for himself and his family. He can, therefore, be made to maintain others on his labor. Some of these consumers will benefit him by increasing his comforts, by allowing him to devote his undivided attention to his own industry or calling, and by furnishing him with economies in the conduct of his business. Some will quarter themselves as a right or by force on his labors and their produce and will color their usurpation by alleging that he owes them allegiance or duty. These claims are always most insolent and incessant when society is barbarous. As it becomes civilized, people reiterate, with apparent reason, that only the criminal and the utterly destitute are burdens on society, and that they who provide the pageantry, or are recognized as the ornaments of civil life, represent the highest utilities. It is to be hoped that labor and poverty are satisfied with this assurance and are convinced that these pretensions are founded on a solid basis of facts. It will be found in the course of English social history that the assurance has been occasionally disputed and the pretensions severely criticised. It is possible that the temper which disputes or criticises may occur in force hereafter when it is not anticipated or expected."\*

It is evident from the general tenor of the writings of Professor Rogers that he did not have capitalists particularly in mind when he penned the foregoing sentences, but there is no doubt that the aggressions of this class are as great, and in modern times the workings of the system which produces them are fully as bad, as any of those more par-

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\*Rogers, *Six Centuries of Work and Wages*, p. 159.

ticularly referred to by him in his diatribe against the classes that fortune or other circumstances have in past periods quartered on the toilers of the world. Rogers, although his works are brimful of sympathy for the laborer, was constained by the economic theory he had adopted to give an almost unqualified support to the idea that it would be a crime against progress to interfere with the tendency to heap up large capitals. He shared the view of those professional economists who believe that the universe would be brought to a standstill if the privileges of capital were abated. Like them, he seems to have lost sight of the fact that the creation of capital must go on unceasingly and that it does not require extraordinary efforts to create it or coddling to keep it alive. If all that now in existence were wiped out it would be renewed in a comparatively brief period. We have the authority of John Stuart Mill for the statement that "capital is kept in existence from age to age not by preservation, but by perpetual reproduction: Every part of it is used and destroyed generally very soon after it is produced, but those who consume it meanwhile are employed in producing more."\*

If we carefully consider that there is no such thing as "old capital" and then observe how in practice the pleasures and powers derived from the possession of capital may be indefinitely perpetuated we can form an impression of the injury that may result from the adoption of a false economic notion such as that involved in the assumption that capital needs special protection and encouragement. An illustration derived from the actual working of the capitalistic system will demonstrate the accuracy of Mill's observation that capital is extremely destructable, and it will also show that its possession does not imply that the owner who enjoys an income from capital is always receiving the deserved reward of abstention. Let us suppose that

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\*Mill, Principles of Political Economy, Vol. I, p. 108.

A, some two hundred years ago, by the exercise of economy, was able to set aside ten thousand dollars, which he successfully invested, receiving as returns profits amounting to ten per cent. annually—not an excessive estimate. If he and his successors managed during the whole intervening period to receive half of that amount, and at the end of it they still maintained the capital unimpaired, they would have been repaid tenfold. But this is only part of the gains. The nominal amount of the capital may have remained unchanged, but owing to the appreciation of the value of money and to improvements in machinery, transportation and to other causes it may have doubled its earning power during the interval. Thus we see that in spite of the destructibility of real capital, a fiction of convention not only makes it indestructible, but actually increases the value of the representative of the thing destroyed.

If to this automatic feature of adding to its bulk and potentiality which capital possesses, we add the possibilities resulting from its manipulation during the course of two hundred years we may find the original capital swelled to millions. That this is no exaggerated presentation of the workings of the capitalistic system is shown by the experience of the Vanderbilts. It was the original small earnings of the Commodore, derived from his ferryboat, which were expanded into the colossal fortunes now owned by his descendants. The method by which this expansion was effected is accurately outlined in the sketch of the creation of the great Vanderbilt system of railroads which forms part of this chapter.

It is the recognition of facts such as these that makes it impossible for the thinking part of the masses to assent to the proposition that the earnings of capital are merely the fair rewards which society offers those who are willing to practice self-denial in order to lay by something for a future rainy day. It is clearly seen by the least discriminating that the abuses which the system brings in its train

exceed the benefits it confers, and the perception of this arouses animosity against the promoters of combinations and the accumulators of great fortunes. It does not need the admission of men like Mill to convince the people that a method superior to that which is now employed to keep the machinery of production in motion may be devised, and the demand for this improvement is sure to continue until it is effected. Rogers, extreme as he was in his advocacy of the "let alone" policy, saw this clearly, and so did the writer of "Aristocracy and Evolution," for his essay from beginning to end is a vain effort to bulwark privilege against the future torrential demand for a better ordering of things, one in which the good of society and the rights of man will be elevated above vested rights founded on centuries of legalized robbery.

The adherents of protection in this country instinctively recognized the abuses to which mankind are subjected by unrestrained competition. They saw the potentiality of capital and attempted to abridge the powers of its owners by limiting the area of competition. They realized that if no effort were made to diversify production in their own country its people must necessarily occupy the position of hewers of wood and drawers of water for the inhabitants of countries where large capitals had already been accumulated. They did not look upon capital as something inherently harmful, but they knew that its possessors were armed with the power to do harm and would not shrink from doing it, provided their own interests were enhanced thereby. Their policy was to stimulate the creation of a domestic capital, an aim which could not be carried out if they devoted themselves to the production of those rude products of which Adam Smith said great quantities are perforce exchanged for small quantities of manufactured articles. Therefore they resorted to the plan of repulsing the aggressions of foreign capitalists, with the result described else-

where of creating an enormous home capital and a tremendous domestic manufacturing industry.

The problem now is to curtail the power of the owners of the domestic capital thus called into existence. It is one that modern protectionists will not shrink from meeting. Those who adhere to the idea that a restriction of the area of competition is beneficial will not be restrained by the predictions of the theorists who contend that interference with the free play of capital must always prove disastrous. The warnings of the men who urged that protection would be an obstacle to the creation of a great manufacturing industry and fatal to external trade will not deter protectionists from carrying their reforms further. While they perceive all the dangers resulting from enormous aggregations of capital they are not disposed to become pessimistic and surrender the belief they entertain that a policy which recognizes the employment of private capital under proper restraint is wise, and that competition within reasonable limitations will do more for the world than a resort to socialism.

It has not escaped the attention of modern economists that the advanced thinkers of the socialistic school look with pleasure on the tendency to combine and that they regard with disfavor all attempts to restrain the formation of trusts. The fact is not without significance that socialists and communists are, as a rule, opponents of protection. Henry George, with his iconoclastic proposition to overthrow the principle of private ownership in land, was an extreme advocate of *laissez faire*. All these apostles of the new dispensation are firmly convinced that nothing can more speedily bring about a realization of their desire than to permit the free adoption of the modern trust system. They argue that if a combination of a score of railroads under one management can be effected, and that if fifteen or twenty thousand miles of roads can be more successfully conducted by one manager than under a score of managers

the demonstration will at length impress the people and they will ask themselves why the whole of society should not undertake to perform what a section of it accomplishes with such apparent ease. They rely upon this conclusion being speedily reached when there is no longer any question regarding the chief beneficiaries of this effective organization.

When it becomes perfectly clear that the inevitable tendency of unrestrained combination is to make the rich richer and the poor poorer the socialists think there will be no trouble in carrying out their purpose of overturning the existing social organization and substituting in its stead some form of state socialism. Many, indeed, go further and hope to dispense with all forms of control and profess to believe that anarchy will do more to elevate the condition of man than order. These latter have evidently modeled their ideas upon those of the most advanced free traders, who have systematically taught that absolute freedom in trade and the manipulation of markets is essential to progress. It is not a far away cry from that of freedom to adulterate, or the right to take advantage of the necessitous, or to crush out the opportunities of rivals to earn a living, or to commit any of the enormities sanctioned by the doctrine of unrestrained competition, to that which the anarchists raise when they say that man would be better in every way if he were left free to do as he pleases, unrestrained by convention or law.

There can be no doubt that the pushing of the doctrine of *laissez faire* to extremes would ultimately bring the world to socialism or anarchism. The gloomy forebodings of Rogers and other free traders show that they fear such a result. The sagacious Bismarck divined the danger and urged a policy of modified state socialism, which was adopted and has been adhered to by Germany for many years, but it has not succeeded in stemming the tide. Great Britain, a country whose leading philosophers at one time thought it

would be impossible to draw into the socialistic maelstrom, is inundated with "isms" which threaten some day to make short work of private ownership in land, and has had imposed on it a counter system of combination in the form of trades unionism, which, in its efforts to overcome the effects of excessive competition, is constantly paralyzing industry.

Surely the possibility of such a fate as that which is ever present in the imagination of the opponents of socialism should make them study methods of averting what they conceive to be an evil which would arrest the progress of the world. If they are convinced that competition is essential to human advancement they should endeavor to minimize the abuses which it brings in its train. If there is any foundation for the assumption that combinations have it in their power to nullify competition—and upon this point there can be no doubt—they should be made impossible. No pretense that the high organization effected by combinations which results in economies in management and the use of processes that inure to the benefit of the consumer should influence those who make our laws. In most instances analysis will disclose that the economies of combines do not result in benefits to consumers. It is true that the price of a service performed by a trust will often show a great decline as compared with the period before the combination was effected, but it must not be overlooked that the commodities produced by individual exertion have also declined in value. It is the boast of the managers of the great systems of railroads in this country that they have enormously reduced the cost of carriage, and they point to this fact to sustain their claim that consolidation has benefited the public, but they ignore, what is easily susceptible of proof, that the value of the commodities they haul has declined more heavily than railroad freight rates. It is a very telling argument to emphasize the fact that the average charge for hauling a ton of goods one mile

has declined from 1.925 cents in 1867 to .806 in 1896,\* but it does not seem so striking when we consult a table of prices and learn that corn was worth \$1.17 a bushel in 1867 and 44 cents in 1896; or wheat \$1.34 a bushel in the first named year and 67 cents in the latter. Or that oats fell from \$1.16 to 49 cents during the same period.†

A careful consideration of this phase of the subject will lead to the conclusion that combinations are not made for the purpose of reducing prices or for the benefit of the public, but that their sole object is to stifle competition. Whatever savings may be effected by economies in management or production are enjoyed by the shareholders of trusts and not by the community in which they are operated. As a result, owners of capital are enabled to swell their possessions enormously, and concurrently they increase their ability to maintain control in their chosen fields of operation. Frequently they go further and form trusts that are virtually all embracing. Combinations of this kind are successfully carried on in this and other countries. The tendency to reach out in every direction is so well understood that in many States of the American Union the laws forbid corporations doing any other kind of business than that for which they are incorporated. But provisions of this kind prove unavailing, for their spirit is easily evaded by the formation of numerous apparently separate bodies which are practically one, as may be seen from the fact that their officers are the same, their positions only being slightly varied. In some cases even this pretense is not kept up.

What has been written here in relation to combinations does not describe a state of affairs peculiar to this country. It is often assumed by the Cobdenites that trusts are the product of protection, but there is absolutely no ground

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\*"Changes in the Rates of Charge for Railway and Transportation Services," Publication of U. S. Dept. of Agriculture, 1898, p. 12.

† Ibid, p. 78.



for the assumption. Combines flourish in free trade England as luxuriantly as in this country. Rogers and other free trade writers testify to this fact, and long lists of successful British syndicates could easily be supplied if necessary to substantiate their testimony. But no such proof is required. The causes that produce trusts are too easily perceived and understood to permit any mistake on this point. They are due, as has been shown, to the facility with which capital can be drawn, under the modern joint stock company system, into undertakings which promise profit; therefore they are certain to flourish wherever the laws encourage the formation of corporations and extend to them a degree of protection which the isolated individual is unable to obtain.

Obviously, then, the remedy for the disease must be a rational one, and it must be sought for in the direction of restraint. It is manifestly absurd to assume that the evil can be abated by intensifying the causes which have brought it about. There is nothing so clear as the fact that excessive competition promotes combinations. If competition is severe enough in a country of seventy million inhabitants to call great trusts into existence what would happen if competition were absolutely unrestrained throughout the whole world? The fluidity of capital is well recognized in these days, and the facility with which it can be induced to lend itself to employment in enterprises of the most cosmopolitan character is understood by those who make it a business to manipulate financial affairs. If the tariff barrier set up by this country did not exist American trusts would be international trusts. As it is, there are already monstrosities of this character, and they will undoubtedly be multiplied in the future unless the laws in restraint of combinations in this country are made more effective.

That they may be no one doubts who has given the matter intelligent study. That the problem presents some grave

difficulties is true, but they are not insurmountable. It may be admitted once for all that the legislation thus far enacted does not hold out much hope. So long as our legislators proceed on the assumption that it is possible to single out those corporations which aim at the stifling of competition from those formed for the purpose of conducting business under a fair—that is to say, a moderate—system of competition, there will be no abatement of the evil. The law can hardly distinguish between corporations of this kind. In its eyes size does not figure. If modest corporations are recognized as benefits the co-operation they imply when effected on larger scale will not be regarded by the lawmaker as an evil. Therefore attempts to prevent the formation of trusts by laws are not likely to succeed in countries where the advantages of the co-operation made possible by incorporation are recognized.

But while such laws are likely to prove negligible quantities there is a way of reaching combinations, and that is by a resort to the taxing power. If the people are convinced that there is no foundation for the claim that the consolidation of vast amounts of capital inures to their benefit they may by a graduated system of taxation successfully prevent the creation of overshadowing trusts. Such a course is possible in a country which refuses to assent to the proposition that the government has no right to interfere with the operations of trade, but it could never be followed in lands where the Cobdenite idea of unrestricted competition prevails, for that only contemplates conserving the interests of the consumer. That is the corner stone of the structure of Cobdenism, and if it is destroyed the whole edifice must tumble.

A consistent Cobdenite, although he may indulge in contradictions such as we have pointed out in the case of Professor Rogers, will, on the whole, contend that trusts are beneficial because they result in competition on a magnified scale; but the protectionist, who insists that the first

consideration of statesmen should be the interests of the producer, is bound to antagonize the tendency to combine because he clearly sees that its effect, no matter what may be the apparent benefits in the shape of economies in management and production, is to constantly enlarge the volume of the unemployed and increase the social wreckage which free traders appear to think should not be taken into account. In short, protectionists believe that no economic scheme which does not elevate the producer to the first place can succeed; those who differ from them and advocate giving all the advantage to the consumer, under the specious pretense that there is no substantial difference between the producing consumer and the consumer who does not produce, are conscious or unconscious breeders of revolution and destroyers of empire.

## CHAPTER XVIII.

### TWO KINDS OF CONSUMERS.

#### INTERESTS OF THE NON-PRODUCER AND THE PRODUCER NOT IDENTICAL.

The distinction between non-productive and productive consumers—Power enjoyed by the owners of capital—Capital not always the fruit of self-denial—The result of automatic saving—Excessive saving leads to diminished consumption and to congestion of capital and lack of employment—The problems which over-production force on the economist—The land tax theory of Henry George—Free land does not necessarily promote the progress of a nation—The earth yields its best results when private owners control its service—Every man's land is no man's land—Rogers' advocacy of restraint of middlemen—Trusts the natural outcome of unrestrained competition—Possible effects of the disturbance of the system of superfluous middlemen—The non-producing classes in the United States—Admitted dangers of disturbing the existing wasteful system.

Of all the specious arguments advanced by the Cobdenites in favor of unrestricted competition none is more deceptive than that which attempts to defend the cheapening of products on the ground that the consumer is benefited. Its misleading character is instantly perceived by those who take the trouble to inquire whether all consumers stand on the same plane. Such investigators at once discover that there are two classes of consumers, and that their interests are diametrically opposed.

The necessity that all men labor under of being compelled to consume the products of the soil and the workshop in a greater or less degree has been taken advantage of by the Cobdenites, who, by ingeniously suppressing the

fact that a large proportion of mankind does not exert itself in any manner to increase the general store of wealth, endeavor to create the impression that all consumers have an equal interest in reducing the cost of production. The fallacy of the assumption is easily detected by those who do not wish to be deceived. Such persons need only ask themselves what are the relations to each other of the two entirely distinct classes in every community—the producers and non-producers.

It is true that both are consumers, but it is obvious that the producing consumer and the non-producing consumer are differently affected by the reduction of the cost of products. If we take for illustration the case of a primitive community in which the art of living at the expense of others has not been developed, and in which barter is the sole method of effecting exchanges, every improvement in the method of production, and every transfer of property, no matter under what conditions, inures to the general benefit. But in such a society, all being workers, all share in the gains, whether they are the result of nature's bounty or of increased skill. If the country is pastoral we may be reasonably certain that when ten sheep are exchanged for one cow, where formerly the exchange was five for one, the later transaction was a fair one to both participants. In the case of the owner of the sheep the increase in his flocks would in all probability have been due to the care with which he tended them, or, at least, to the propitiousness of the seasons; therefore he would have no cause for complaint because his relative abundance compelled the alteration of the ratio of exchange; and the owner of kine who received twice as many sheep would have no fault to find. If the proportions should be changed still more materially, and one cow was rated as worth twenty sheep, the barter would still be fair unless the condition which induced the owner of the sheep to increase his offerings was produced by a monopoly. So long as the barter remained natural and

merely represented an exchange of things not desired for those which were no serious trouble could arise.

The failure to recognize the changes wrought by the advance from a simple to a complex system of trading has carried many economists far from the path of correct reasoning. The obvious necessity of exchange, and the fairness attending transactions in which the moving consideration of the actors was desire on the part of each to obtain something possessed by the other, has blinded many to the fact that a third factor of vast importance has been introduced—namely, the employment of a medium of exchange. The far-reaching consequences of the introduction of this intermediary have been seen by some economists, but most of them have minimized its effects when discussing its relations to the subject under consideration.

This is said in the full consciousness that the definitions of money are numerous and some of them exact, and that many of them lay stress on its important function of storing values. But an analysis of the work of the most consistent writers invariably reveals the existence of a confusion of mind due to the tendency to underrate the injurious effects of what has been called automatic saving; or, to put it in another way, the value of capital has been emphasized to such an extent that nearly all writers on economic questions have ceased to perceive that it may be employed as an instrument of oppression, and that when its owners are permitted to use it as their interests dictate they may wield a power as great as that exercised by the most despotic rulers.

In a passage from Rogers, quoted in the preceding chapter, we find a just comment on the aggressions to which the producer is subjected by a class which assumes a prescriptive right to live at the expense of the exertions of others. Speaking of the agriculturist, he says: "However scanty may be his share in the distribution of wealth, except he abide in the ship none can be safe. In the rudest agri-

cultural and even in the rudest pastoral age the labor of the individual always produces more than is requisite for himself and his family. He can, therefore, be made to maintain others on his labor. Some of these consumers will benefit him by increasing his comforts, by allowing him to devote his undivided attention to his own industry or calling, and by furnishing him with economies in the conduct of his business. Some of them will quarter themselves as a right or by force on his labors and their produce, and will color their usurpation by alleging that he owes allegiance or duty.”\*

These claims, our author tells us, are most insolent and incessant when society is barbarous, but there is some doubt about this latter conclusion. That those who lived by the exertion of others were more insolent in asserting their right to do so in barbarous times is true; that they who now set up a similar claim are less insistent than their predecessors, who exerted force to compel the producer to yield the major part of his products to them for the gratification of their taste for luxury, is false.

In another place, referring to the iniquitous system of entail still maintained in Great Britain, Rogers says: “It perpetuated the poverty of the younger son and the system of quartering him on the public purse. It was the origin of the principle of vested interests, perhaps the most anti-social and dangerous doctrine which has pretended to justify the robbery of all labor, and will justify the antagonism of all labor to privilege.”†

It is this principle of vested interests which Rogers denounces in a fashion that might convey the impression that he was a dangerous agitator if we did not know that he was one of the most conservative of modern writers that gives to the non-producer the tremendous advantage he enjoys.

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\*Rogers, *Six Centuries of Work and Wages*, p. 159.

†*Ibid*, p. 295.

Under its cloak he conceals the iniquitous methods by which for services performed centuries ago he still exacts toll. Vested interests is the powerful weapon with which the modern capitalist asserts his perpetual right to enjoyment of the fruits of robbery.

The learned Professor Rogers tells us of the infamous methods by which the landed class in England succeeded in diverting from the common use the soil of the Kingdom, but he would not have the descendants of the robbers disturbed because they have vested rights. The brilliant Macaulay describes the atrocities of John Churchill, his betrayal of James, his acceptance of bribes from the French King, the terms on which his services were bought by William, the whole being an unbroken record of treachery unmatched in the annals of man, yet the Marlboroughs are permitted to enjoy the fruits of these rascalities through centuries, and will continue to do so as long as vested interests are considered more sacred than human rights. The very writer who tells us that the maintenance of the principle justifies the antagonism of all labor to privilege has been the foremost champion of this system which permits one part of the community to quarter itself on the other and live without toil at the expense of the producer.

In their labored eulogies of the beauties of competition in its extreme form Rogers and other free traders have felt it necessary to preach the doctrine of the sacredness of capital and have constructed ingenious defenses of a system which, when allowed to operate unrestrainedly, inevitably tends to the impoverishment of the producing masses. In order to create respect and reverence for this power and to disarm opposition to its exercise books have been written to produce the impression that capital is the fruit of abstinence and therefore deserves all the rewards it receives. That some capital is created by the practice of self-denial no one will dispute. Instances of the kind are common enough to make this plausible half truth seem entirely true,



but a patient inquiry into the methods by which fortunes are made will reveal the fact that where one dollar is set aside which represents a genuine deprivation or a real act of self-denial hundreds and thousands are accumulated by fraudulent practices and by the process of adding to the acquisitions of those who find it difficult to expend the whole of their incomes, and therefore save them automatically.

As instances of accumulations of capital created fraudulently, the major part of the great railroad fortunes of this and other countries may be cited. How much self-denial have the Vanderbilts practiced to add to their millions? What is the degree of abstention displayed by the merchant prince whose scale of domestic expenditure rivals that of the class from which he derives his nickname? Have the Astors made such sacrifices that they really deserve to be rewarded with incomes which would maintain in comfort a hundred thousand people? Is the Duke of Westminster simply enjoying a deserved reward when gathering millions annually from the tenants of his estates in the city of London? The income tax returns of Great Britain in 1868 showed that "one per cent. of the population of the United Kingdom received one-quarter of the nation's income, while about 10 per cent. received only as much as the remaining 90 per cent."\* Will any one venture to assert that this condition was brought about by the industry and frugality of the people thus monopolizing the greater part of the products of the labor of a nation of thirty-nine millions, or by the thrift and self-denial of their ancestors?

It may be asserted without fear of successful contradiction that only an infinitesimal part of the vast aggregates of wealth and credits which bring returns to their owners is entitled to be treated with the consideration which most economists urge should be shown to capital because it rep-

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\*Baxter, *Taxation of the United Kingdom*, p. 64.

resents a self-denial which enables the world to continue the process of production. The great mass of accumulations, whether they are in the form of real wealth or potential credits, which, under the system we are treating of, command labor and its fruits as readily as wealth itself, is merely the sum total of extortions, excessive profits and the result of the savings of persons whose wants are always filled to the point of satiety.

This being the case, it is worse than a blunder to argue that all consumers are on the same plane and that reductions in the prices of articles inure to the general benefit, because it ignores the patent fact that all the potential capital of the world is affected by the reductions and that its owners profit more by the appreciation of the value of its earnings than they lose by the fall in the rate of interest which in some cases accompanies a diminution of returns to producers.

We are sometimes reminded that a John Jacob Astor, a William Vanderbilt or a Duke of Westminster can only consume so much flour and meat, and we are asked to believe that because this is true the owners of vast fortunes receive no more benefit from the fall of prices than other consumers. But the fatal flaw in this argument is the fact that a diminishing cost of production constantly tends to increase the wealth of those who already possess more than enough to satisfy their wants, and concurrently curtails the opportunity of those who are compelled to toil in order to obtain enough to keep body and soul together.

In an article on "The Economic Cause of Unemployment" by J. A. Hobson, published in the *Contemporary Review* of May, 1895, the writer discusses at some length the subject of automatic saving, which he claims "upsets the balance between consumption and producing power." The effect, he declares, is overcapitalization, which results in the displacing of capital already in existence and its practical destruction. He describes the process in this manner:

"A large part of the power to consume is in the hands of those who have not the desire to consume. What, then, do these men desire to do? They desire to save. But saving, if we look behind the operation of putting money in a bank, means paying labor to set up plants, machinery and other material forms of capital. But does not this give as much employment to capital and labor as the same power used to demand consumables? Quite true, the 'saving' which employs labor to build a factory and stock it with machinery will cause as much employment as the same amount of spending, though not more employment, as J. S. Mill sought to maintain. Moreover, in the one case when the money is 'spent' there is nothing to show for it; in the other case there is a factory and machinery.

"But when our theoretic friend goes on to assume that the factory can be profitably worked, and that the work it affords signifies a net increase of both labor and capital, he jumps to a conclusion which is quite unwarranted. It can only be profitably worked on one of two suppositions. It may by successful competition obtain the orders which would have gone to another factory, ousting from employment the capital and labor there engaged. In this case it is clear no net increase of employment has taken place. An individual has made good his 'saving,' but has done so by negating the previous saving of some one else; the productive power of the community is increased, but no more actual production than before is brought about. The other supposition is that the demand for the class of commodities which the factory makes will be greater in the future, and that therefore more capital and labor can be employed in the trade.

"So far as this supposition is valuable, the 'saving' is socially useful, and, indeed, necessary; but it should be plainly recognized that the dependence of capital and labor for employment on a rising standard of consumption places an absolute limit upon socially useful saving. An individual

may save any proportion of his income, provided he can induce others to spend their income and give him liens upon their present property or future production. But the proportion of a community's income which it can save and usefully store up in plant, machinery and other forms of capital is strictly limited by the rate of current or prospective consumption. Only a very small proportion of 'saving' can profitably be invested in forms of capital that fructify in the distant future; the currently or immediately prospective rate of consumption determine pretty closely the proportion of current income which can be usefully saved.

"Our saving class are therefore not necessarily causing an increase of 'employment' by paying workers to put up more factories instead of using their moneys to demand consumables. So long as the 'saving' is actually in progress—i. e., so long as the factory and machinery are being made—the net employment of the community is just as large as if the money were spent to demand commodities; more labor is engaged in making factories, less in working them. But after the new factories are made they can only be worked on condition that there is an increase of consumption correspondent to the increase of producing power—i. e., on condition that a sufficient number of persons are actuated by motives different from those which animated the 'saving' class, and will consent to give validity to their saving by 'spending' on commodities an increased proportion of their incomes. Where no such expectation is realized an attempt to operate the new factories does not give any net increase of employment; it only gluts the markets, drives down prices, closes the weaker factories, imparts irregularity to work and generally disorganizes trade.

"The frequent recurrence of these phenomena in most departments of trade is the strongest presumptive evidence of an attempt of the capitalist classes to place and operate more capital than is required to maintain the current flow

of consumption. An individual may be a rich miser; a community cannot. To the average reasonable man it is a self-evident fact that a community cannot advantageously save more than a certain proportion of its annual income unless for the express purpose of consuming a larger proportion at some distant date. The economist is, however, too often blinded by the acceptance of a strange sophism to the effect that 'saving' implies no reduction in current consumption, a wild notion which is due to a failure to analyze the process of saving. \* \* \*

"This simple truth that real saving implies diminished consumption is the kernel of a true understanding of the unemployed question. If we find labor and capital unemployed in our manufactures, if we find them wastefully employed in our distributing industry, it can only mean an undue diminution of consumption, or, in other words, an attempt to establish as 'savings' a larger number of forms of capital than are economically required to assist in maintaining current or prospective consumption."\*

The writer of the above explains that he does not plead for conservatism in industry or for the rejection of new and improved forms of machinery and method, but that he merely protests "against the waste of the wrecking policy in modern commerce, by which old businesses are ruined by the speculative operation of new competitors who bring with them no intrinsic superiority of production sufficient to compensate the destruction of capital value and the disturbance of employment which they cause."

His remedy for the evil which he describes at such length, and the existence of which will not be seriously questioned by any competent writer or thinker, is progressive taxation. Such a suggestion naturally lays him open to the charge of socialistic tendencies, but that is something

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\*Hobson, *Economic Causes of Unemployment*, Contemporary, May, 1895.

to which the most extreme advocates of *laissez faire* are also obnoxious. The writings of J. S. Mill, Herbert Spencer, J. Thorold Rogers and other economists of standing whose names will suggest themselves to all students of economics abound in matter which may easily lead to the inference that they favor state regulation, although they advocate unrestrained competition.

It is quite evident that the theories of political economists will never be received with respect by the masses if they shrink from honestly stating their conclusions either through fear of adverse criticism or because they cannot determine what the consequences might be if other methods than those now in vogue were resorted to by those who control the destinies of nations. There is no doubt that the latter consideration is the restraining one with most writers. I am disposed to admit its influence and to confess that it may be wiser to bear the ills we have than to fly to those we know not of, but I do not believe that any doubts of this kind which I may feel should restrain me from stating facts, and am profoundly convinced that it would be in the nature of a crime to attempt to demonstrate that a system which is undoubtedly working illy is the best one attainable.

That this is the conscious or unconscious aim of all adherents of *laissez faire* is obvious. Their effort to prove that the producer and the non-producer are affected alike by the phenomena they discuss is a confession of weakness, for attempts to place all consumers on the same plane inevitably disclose that the assumed resemblance does not exist, and that in reality the interests of the two classes are diametrically opposed. The sooner this is recognized the better for mankind, for while the world is taught to believe that all consumers are equally benefited by the operations of unrestrained competition no serious disposition to correct the excesses of the capitalistic system will arise.

Until economists cease to teach that the producer who

is compelled to work at a loss is a gainer by the sacrifices he makes, because other producers are also forced to do without profit, there will be a tacit consent to the practice of all kinds of villainy which masquerade under the name of trade operations. There can never be a healthy readjustment of the relations between employer and employed so long as the idea prevails that no evil results can flow from overproduction resulting from the attempt to employ fresh capital when that already engaged more than suffices to meet requirements.

The writer appreciates the difficulties that suggest themselves when the question is asked: What can be done to prevent overproduction? At once a host of other questions arise and demand an answer. If an attempt is made to limit production what assurance have we that it will not result in depriving us of the benefits of inventiveness? Are we to do away with automatic machinery because it produces so rapidly that its output is in excess of the effective demand? Must we maintain the plants of machinery already in existence if ingenious inventors devise new machines which do the work more effectively? Should we forbid the construction of rival railroads if there is ground for the belief that those already in existence are capable of doing the work required of them? Ought we to prohibit forestalling and close up all the exchanges that deal in "futures"? Ought we to arrest the growing tendency to eliminate the middleman which the creation of great department stores exhibits? Shall we deliberately say to those who propose to effect great economies in production by manufacturing on an enormous scale that they must not do so, because the result of their efforts, if successful, will be to drive out of business a large number of small producers?

These and a score of other equally pertinent and difficult questions demand an answer. The socialists prefer to find nothing troublesome in such queries. They have

sweepingly answered all of them in the affirmative. They declare that competition is necessarily subject to the abuses complained of and refuse to recognize that it can be regulated advantageously. The advocates of *laissez faire*, on the other hand, unweariedly devote themselves to attempts to square their theory that the effects of unrestrained competition must necessarily be beneficial with the practical working of the existing system, which is attended with so many drawbacks that conservative writers of their own school contemplating them speak of the possibilities of a social revolution.

Between such extreme views a middle ground ought to be found. It cannot be possible that competition has no merits. Even the socialists who sweepingly condemn the abuses to which the system has been subjected are compelled, whenever they attempt to be constructive, to suggest some method to stimulate exertion and prevent inertia. If the men who are devoting themselves to the work of inventing fantastic plans to regenerate society would employ their abilities in teaching the people that in a country with democratic institutions most of the abuses of which they complain are capable of being remedied by ordinary processes, instead of preaching a crusade against all existing social conditions, they might accomplish their purpose without plunging the world into turmoil.

It will be admitted, however, that very little progress in the direction of a better understanding of these matters can be reached so long as the doctors differ so radically respecting the cause of the trouble and the remedies to be applied. We are told by one set of would-be reformers—the followers of Henry George—that all the evils of modern society are due to the private ownership of land, and that the remedy is the virtual extinction of all private titles to land by a process of taxation. It will be conceded by all who have given attention to the subject that land monopoly is an evil, but there are many who are ready to admit this



much who contend that the holding of land in common would prove an insuperable barrier to progress, and that no tenure, no matter how secure, would serve to keep the world's agricultural land from wearing out, or bring inferior soil under cultivation, but that which guarantees to man a title in perpetuity.

That there is some foundation for this latter assumption will be readily inferred from a consideration of the experience of the ancient Egyptians, who, although nominal owners of the land, were subjected to such conditions that the state practically controlled the output. The result was the "full belly" which has been previously referred to, because the state recognized its obligation to the working masses and took care to guard them against the forestaller. But how far the system was responsible for that curious attitude of opposition to foreigners which took the extreme form of refusing to trade with them it would be difficult to state.

We are told that "Egyptian corn was not sent out of the country to buy foreign luxuries or articles of ostentation for which the demand could be indefinitely increased so as to swallow up the accumulations of the rich; neither was the demand for laborers limited by the power of the capitalist to drive a remunerative trade in the produce of their work. Practically the whole of the hoarded food was spent in maintaining the 'eater of rations,' and as in no case did they expect or receive more than a maintenance they submitted without any sense of injury to the regime which caused the spare labor of the community (i. e., their own) to be spent in erecting royal monuments, private tombs, temples of the gods, and in maintaining officers, priests and sacred animals, instead of raising the general standard of luxury."\*

Henry George and other extreme opponents of the pri-

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\*Simcox, *Primitive Civilizations*, Vol. I, p. 70.

vate ownership of land have strongly inveighed against the protection policy on the ground that it would have a tendency to rear a barrier about the country resorting to it which would retard its progress, but there is grave reason for believing that the adoption of the plan of taxation which he advocates would certainly accomplish this undesirable result. It is hardly necessary to controvert George's error by reproducing the evidence which conclusively establishes the error of free trade contention that protection results in cutting off intercourse between nations. The tremendous increase of the external trade of such protective nations as the United States, Germany and France shows that the policy of encouraging home industry has no such effect, but, on the contrary, by greatly enlarging the resources of the protected people their surplus of wealth is increased and they have more to offer in exchange for articles which they cannot themselves produce. This has certainly been the experience of the United States and Germany, and it is likely that it will be repeated by Russia, which country, as has been shown, under the influence of laws calculated to promote domestic manufactures and industry of all kinds, is making rapid advances and concurrently developing a great external trade.

But we may well ask what might be the case if the mooted proposition to nationalize the land should be carried into execution in this country? We are aware that Henry George's disciples deny that the effect of the single tax would do more than cause the transference of the unearned increment of land to the state, but it seems logical to conclude that any system which could be devised to take the place of private ownership would involve the corollary of state aid to those who were unable to secure a sufficient quantity of land to maintain them, or who failed to earn a livelihood by the practice of other than agricultural callings.

It is contended by the advocates of the single tax that

the inevitable result of the destruction of private ownership would mend affairs so thoroughly that neither of the contingencies mentioned could occur and that there would always be land in plenty for all who desired it, and that those who did not desire land would have no difficulty in finding work suited to their hands and capacity which would earn their subsistence and maintain them in comfort. But there is reason to distrust the soundness of this view. If it were true that the ability to acquire land with ease were a perfect barrier against penury and want we would not be confronted with scores of instances in the history of our own country of the people being plunged in poverty and wretchedness when millions of unused acres were freely accessible to them. It is a delusion shared alike by the followers of Henry George and the free trader that material prosperity is a necessary resultant of the ability of the people to easily acquire unoccupied land. But the severest business depressions in the United States, with their accompanying soup houses and increased pauperism, were experienced during periods when the best of land could be had for the taking. There is no doubt that without land, or the ability to command its products, there can be no material prosperity, but it is equally certain that free land may exist in abundance, as it still does in many countries, without giving an impulse to progress.

That man could not exist without land is so apparent that it seems strange that writers should take the trouble to adduce arguments to support the contention that there could be no progress without it. It does not follow, however, that because there is free land in abundance there must be prosperity; nor is there any foundation for the assumption that free access to land would bring about a better condition of affairs than we find existing in progressive countries to-day unless some means should be adopted to prevent the absorption of the unearned increment from other sources than land.

If we turn to the annals of a country where the monopolization of the soil by a few individuals has been carried to a greater extent than in any other we find that during the period when much of the land was common there was comparatively little progress. In Rogers' justly esteemed review of English work and wages during six centuries we find abundant proof that England was at a standstill when the opportunity to procure land was easiest. It is true that the author was convinced that "the grinding, hopeless poverty under which existence may be just continued, but when nothing is won beyond bare existence, did not characterize or even belong to (English) mediaeval life,"\* but he is compelled to make plain the fact that the exemption to which he refers was due in large part to an agency closely resembling that of the state. The religious institutions, whose absorption of the land during the period in question was its most characteristic feature, no matter what abuses may have accompanied their administration, systematically extended a helping hand to the poor. As in ancient Egypt, they recognized the obligation of the land owner to intervene between the people and starvation, and the records indicate that they were frequently called upon to exercise the function of ration provider, although most of the time the price of provisions, as shown by contemporary documents still extant, was so low it seems incredible that want could have existed unless as the result of extreme improvidence.

That improvidence was induced by the abundance of free land during the Middle Ages there seems no doubt. Rogers tells us that "at an early period it was recognized that land held in severalty was worth 25 per cent. more than land of equal quality held in the lammas field; and that when such distributions and assignments were made the land was found to be far more serviceable."† The only

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\*Rogers, *Six Centuries of Work and Wages*, p. 415.

†Ibid, p. 444.

inference that can be fairly drawn from this is that the individual cultivator of lammas land, no matter how carefully guarded his rights may have been, could not be induced to give it the care calculated to produce the same results that he would have made it yield had he owned it absolutely. The fact that after lammas tide the land became common for pasturage operated as a bar to improvement.

This probably explains the backwardness of English agriculture until the seventeenth century, when the Hollanders taught the British farmer how to use his land and obtain adequate results from it. Rogers says: "We owe the improvements in English agriculture to Holland. From that country we borrowed at the beginning of the seventeenth century the cultivation of winter roots, and at that of the eighteenth century the artificial grasses. The Dutch had practiced agriculture with the patient and minute industry of market gardeners. They had tried successfully to cultivate everything to the uttermost which could be used for human food, or could give innocent gratification to a refined taste. They taught agriculture and they taught gardening. They were the first people to surround their homesteads with flower beds, with groves, with trim parterres, with the finest turf, to improve fruit trees, to seek out and perfect edible roots and herbs, at once for man and cattle. We owe to the Dutch that scurvy and leprosy have been banished from England, that continuous crops have taken the place of barren fallows, that the true relation of crops has been discovered and perfected, that the population of these islands has been increased and that the cattle and sheep are ten times what they were in number and three times what they were in size and quality."\*

When we inquire why the Dutch happened to be so far in advance of the English we learn several important facts, all of which greatly militate against the theory that

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\*Rogers, *Six Centuries of Work and Wages*, p. 453.

common ownership of land is either advisable or necessary to secure good results for mankind. Foremost we find that the Roman idea of property right in land existed in Holland when the British isles were inhabited by a people little better than savages. "In Holland," says an American writer, "all property, both real and personal, of persons dying intestate, except land held by feudal tenure, was equally divided among the children by an act passed by the states in 1580. This act also contained a further enlightened provision, copied from Rome and since adopted in other continental countries, which prohibited parents from disinheriting their children except for certain specified offenses. Under this system it became customary for parents to divide their property by will equally among their children, just as the custom of leaving all the property to the eldest son grew up under the laws of England."\*

Here we have one secret of Dutch agricultural progress: The complete recognition of land as property having essentially the same characteristics as other property, and when we investigate further we discover that every effort was made to cause the transference of land to be made as easy as that of its products. The machinery of transfer was simplified and alienations of real estate were facilitated. A comprehensive system of recording was adopted which became general throughout the Netherlands and which was afterwards extended by the States, or legislature of Holland, so as to cover all instruments affecting land, requiring them to be registered in order to give them validity.

Although the British were quick to imitate the Hollanders in other particulars they refused to borrow this important device, because the land owners, the aristocratic classes, plainly foresaw that to make the alienation of land easy might prove destructive to their importance as landed

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\*Campbell, *The Puritan in Holland, England and America*, Vol. II, p. 452.

proprietors. Hence the possession of land came to be regarded by Englishmen as a badge of consequence and the aim was to secure as much of it as possible, not alone for the purpose of increasing the revenues of the proprietors, but to enhance their social or political condition. The consequence was that ignorance and stupidity prevailed in agricultural matters in England, while intellect and ingenuity were developing the art of farming in Holland to such an extent that the practices of the Dutch were being imitated in all countries where enough enterprise existed to prompt attempts at improvement.

Had the system which was perfected in Holland by Charles V. prevailed in England it would not have been necessary for Rogers to have made the acknowledgment of British indebtedness to the Dutch noted above. It is impossible to believe that the development of the manufacturing industry which began as early as the reign of Edward III. would not have stimulated agricultural improvement if the laws of the country had assisted small owners to secure tracts of land without difficulty. The absence of such facilities was fatal to progress. There was no inducement for small occupiers to improve the lammas land, and the large proprietors, who held under a more secure tenure, were too much absorbed in working out their schemes of political and social advancement to think of such sordid matters as the creation of new foods.

When English agriculture began to make progress it became the fad for gentlemen proprietors to improve their estates, and no doubt their efforts, although in many instances misdirected and unprofitable, contributed largely to the advances which marked British farming during the seventeenth century. But this progress, as noted by Rogers, "was accompanied by a marked depression in the laborer's condition," and he attributes it, by indirection at least, to the fact that there was too much land in cultivation and too little capital to cultivate it with. This latter drawback

reduced the tenant farmer to the necessity of squeezing his employés in order to make ends meet; the main trouble, however, was due to the fact that the landlord demanded more than the lion's share and did all he could to repress improvement by his extortions.

In spite of this tendency to squeeze it was noted that the abandonment of the communal system tended to improvement. A writer quoted by Rogers says "an acre of enclosed land is better than four acres in common," and his comments show that the result of enclosing was to promote improvements which enormously increased production. He says: "A load of pigeon dung exchanged for a load of coals and carried sixteen miles, though it would have done harm where it came from, would confer a double value on the land where it was put. I have seen," he said, "a hundred loads of earth sold at Hampstead at one shilling a load and carried three or four miles to higher ground, and with great advantage. I have known meadow land so improved by irrigation that though it was worth only ten shillings a year it has grown £10 worth of hay in a dry season, and I have seen land near London on which irrigation at the cost of a shilling has raised the value by a pound." This astute observer inferred that all the land must have once been sea and that all valleys have at some time been channeled by water.\*

Testimony such as this carries conviction that some stronger incentive than the mere desire for subsistence is necessary to induce men to compel the earth to yield its best results. The history of English agriculture seems to demonstrate conclusively that land in abundance will not promote prosperity if it is no man's land, and it also raises a doubt whether the assumption that it is always a natural boon is not a far fetched one. There are regions where man needs but scatter the seeds in the soil to get returns, but

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\*Platte's Gabriel, 1638; quoted by Rogers in *Six Centuries of Work and Wages*, p. 458.



there are other places where as much preparation of the land is required for agricultural purposes as though it did not exist. Indeed, the Hollanders, from whom the English have copied so liberally, wrested much of their best land from the sea, and in England there exist to-day millions of acres which would be worthless for purposes of cultivation if they had not been recovered from niggard nature by such means as those described above.

In 1649 another author on husbandry quoted by Rogers wrote: "If a tenant be at ever so great pains or cost for the improvement of his land he doth thereby but occasion a great rack upon himself, or else invests his landlord with his cost and labor gratis, or, at best, lies at his landlord's mercy for requital, which occasions a neglect of good husbandry to his own, the land, the landlord and the Kingdom's suffering. Now this I humbly conceive may be removed if there were a law enacted whereby every landlord should be obliged either to give him reasonable allowance for his clear improvement or else suffer him or his to enjoy it so much longer as till he hath had a proportionate requital."\*

The English are a slow moving people, and it took them nearly two centuries and a half to act on this suggestion, and then they only did so in that part of the United Kingdom threatened with insurrection. It is obvious, however, that the remedy is only a partial one, and that nothing short of the adoption of a system which will tend to the dispersion of large holdings of land will suffice to call into play that individual desire for gain which has done so much to promote the progress of the arts and sciences.

It is not contended here that private ownership of land when the ability to monopolize it exists can prove beneficial, but that its division into moderate parcels, owned by men who will absolutely enjoy all the fruits of the improvements they make, must necessarily be so. Experience demon-

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\*Rogers, *Six Centuries of Work and Wages*, p. 458.

strates that this is the case just as surely as it has been demonstrated in all times and in all countries that every man's land is no man's land.

It is true that the author whose pages we have so freely drawn upon may be differently interpreted. He tells us that the agricultural laborer was better conditioned several centuries ago in England than he was at the beginning of the nineteenth century, but his elaborate efforts to show this by quoting prices and wages are discredited by other circumstances to which he directs attention. He says for example that "during the seventeenth century the population of England had doubled. It could not have been more than two and a half millions at the conclusion of Elizabeth's reign; it was nearly five and a half at the accession of Anne."\* Elsewhere he remarks: "From another point of view, and that by far the most accurate and exact, the relative position of the workman was one of far more hope and far more plenty in the days of the Plantagenets than it has been in those of the house of Hanover; that wages were, relative to their purchasing power, far higher, and the enjoyable income over necessary expenditure was in consequence far wider."†

These two statements seem opposed to each other. The conclusion reached is certainly at variance with the commonly accepted belief that a stationary population is not an indication of great material prosperity. During the two centuries and a half (1154 to 1399) embraced in the reigns of the Plantagenets population did not increase and there was plenty of discontent, facts which do not harmonize with the theory that the people of England were enjoying an abundance of the fruits of the land.

It is not difficult to assent to the idea advanced by Rogers in another connection that material prosperity is

\*Rogers, *Six Centuries of Work and Wages*, p. 463.

†*Ibid*, p. 490.

frequently the mainspring of political dissatisfaction and that it has a tendency to promote religious reformation, but no one will be inclined to regard the outbreak in England in 1381 as the result of overflowing granaries and low prices. Rogers tells us that "the years which preceded the Peasants' War in England were times of high wages and low prices." That "the means of life were abundant, the earnings of the laborer exceptionally great," and that "the teachings of the poor priests were addressed to men whose prospects were far higher than those of their fathers, whose opportunities were greater and more immediate than those of their remote descendants."\*

We suspect that this view is as fallacious as many more to which the distinguished author has readily subscribed and that there is absolutely no foundation for his oft repeated opinion that the English laborer in the Middle Ages was a comparatively happy creature, whose nominal wages, though low, had an extraordinary purchasing power which gave him a greater command over the necessaries of life than that enjoyed by his toiling successors.

There was no one more prone than Rogers to unsparingly condemn the practice of drawing far-fetched inferences from statistics, but there is not extant a more glaring instance of this propensity than is furnished by him in his attempt to make it appear that the cheapness of the Middle Ages was an unmixed blessing. His citations from the rolls of bailiffs, which show relatively high wages and phenomenally low prices, he presents as conclusive evidence of the conditions he describes, but he spoils his picture by the admission of the historical fact that the classes he describes as happy were in a constant state of opposition to their employers and were conspiring to overturn the existing society in order to establish a communal method of government. It is difficult to reconcile the conclusion that the

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\*Rogers, *Six Centuries of Work and Wages*, p. 271.

laborers and artisans of the Plantagenet period had reason to be satisfied with their lot with the statement that combinations were formed by the peasants to protect themselves against the aggressions of the landlords which took the form of regulating wages by law.

We may discern in this effort to demonstrate that the worker in the Middle Ages was happy a vain attempt to bolster the theory that "wages have always increased absolutely, i. e., in their money amount, and relatively, i. e., in their purchasing power, when prices were low."\* The purpose is to convince the laboring classes of to-day that their truest interest would be forwarded by adhering to the policy which elevates the consumer to the first place in economics, without asking whether he contributes anything to the general stock of wealth or is entitled for any reason whatever to share in the advantages which flow from the adoption of labor-saving appliances and other improved methods of production.

If the reader of these pages who happens to be familiar with the writings of Rogers thinks that I quote him too freely or go to extremes in pointing out the contradictions in which he has involved himself in his endeavor to defend the theories of the Cobdenites, I beg him to remember that I have stated that Rogers, as the foremost champion of free trade, is the proper target of a protectionist, and that his writings have been freely used because his habit of expressing himself dogmatically makes it easy for an opponent, by quoting him, to show the inconsistencies of the followers of the Manchester school.

Although an extreme advocate of *laissez faire*, Rogers did not hesitate to say that "employers will get labor cheap if they can; it is the business of the state," he declares, "to prevent them getting it so cheaply that they imperil the future of the race by the process; and it is the business

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\*Rogers, *Six Centuries of Work and Wages*, p. 527.

of particular crafts of workmen to sell their labor at as good a price as they can.”\* Now, this is most excellent protectionist doctrine and is lived up to in all countries where the tariff is adjusted with the sole view of equalizing labor conditions in different countries. But it is impossible to reconcile this advice to the laboring man to combine in order to raise wages, and incidentally prices, with Cobdenite theories, and the attitude Rogers here assumes towards the middleman seems to be as hostile to the teachings of the Manchester school extremists as it is fatal to the assumption that scarcity of land is the source of modern economic troubles.

Speaking of the now generally recognized vice of the multiplication of middlemen, Rogers says: “There is a superstition among old-fashioned economists that all parties are the better for the middleman. Experience is gradually proving that the abstract theory is incorrect. Hence, under competition producers are getting rid of the middleman, and the modern economist who studies the facts instead of spinning theories and dilating on tendencies is beginning to prove that he is generally a nuisance. Now that a man who wins more food from the earth is more useful than one who wins more food from somebody else’s labor without offering anything solidly desirable for his function needs no proof. If you can entirely get rid of the middleman, all the better; if you cannot, it is an economy, which even he can hardly dispute, to narrow his functions and curtail his profits.”†

The reader will not have overlooked the fact that in another connection Rogers gave expression to the view that the vice he complains of might be eradicated by the tendency towards combination, which, in defiance of *laissez faire* ideas, he thought would be desirable because of its propensity to eliminate the middleman. In discussing the

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\*Rogers, *Six Centuries of Work and Wages*, p. 528.

†*Ibid*, p. 475.

Middle Age attempt to regulate prices he remarked: "Even now it is doubtful whether competition is of universal efficacy, and whether it is not more correct to say that where combination is possible competition is inoperative. Hence, we subject some callings to regulated prices, and it may be doubted whether the progress of opinion will not hereafter enlarge the area of regulated prices. Still the inclination of people is as yet to let prices find their level by competition in every case where distinct proof is not given that such a concession would be unsafe or unfair."\*

Here is a clear case of indecision, which is pardonable, for the subject is one which cannot be decided out of hand, and one which may call for much more experience before we can fairly make up our minds. But there is no ground for Rogers' assumption that it is "the inclination of people to let prices find their level by competition where distinct proof is not given that such a concession would be unsafe or unfair." Unless the free trade champion assumes that the only people to be considered in the discussion of economic questions are those of Great Britain it will be admitted that the tendency is the reverse and that there is no universal disposition to permit unrestrained competition. The people of the United States and of the whole continent of Europe are well agreed that unrestrained competition would be injurious to national development and they have rejected the policy of Cobden; and it may be added that in this country a pronounced disposition exists to regulate the growing tendency to combine, which may be regarded as the natural development of the competitive process.

Rogers recognizes the economic possibilities of combinations, and even assumes that they may be beneficial, but he has been careful to formulate a theory that the maintenance of a pernicious trust for any considerable period is impossible. He argues that the attempt to elevate prices

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\*Rogers, *Six Centuries of Work and Wages*, p. 139.

above the level which they would have if competition were permitted free play must fail, because it would be the signal for fresh capital to enter the lists and seek to divide the profits, and thus compel the restoration of normal conditions. But experience in this country has demonstrated that this is not true. The history of the iron and steel trust shows that so long as prosperity reigned in the United States the trust was able to maintain prices by the simple device of absorbing all would-be competitors, and that dissolution only followed when consumption had fallen off to such an extent that the members of the pool could not agree as to the shares of business to which they were respectively entitled. As soon as the consumptive ability of the American people reasserted itself the members of the temporarily disbanded combine began to approach each other, and at the present time of writing (August, 1898) the signs of a complete agreement and a restoration of the old monopoly are multiplying.\*

It was because Rogers recognized that combinations are enabled by effective organization and improved processes of production to greatly cheapen products that he was so easily induced to overlook the numerous evils they must certainly bring in their train. The Cobdenite habit of regarding cheapness as the great economic end warped his judgment and prevented his seeing that, while trusts may prove effective as an eliminator of a large class of middlemen whose uselessness to society may be conceded, their erection necessarily has the effect of multiplying the members of another class who would find it as difficult to establish a claim to be maintained as the middleman whose usefulness is open to question. But the subject has perplexities for others than the author of "Work and Wages." We can all perceive the inutility of maintaining rows of

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\*The steel combination, which was broken by the depression of 1893-97, was freshly entered into in 1898, when prosperity set in and prices, owing to a rapidly expanding consumption, were increasing.

stores on the same street devoted to the sale of the same class of goods and may agree with Rogers that they might be dispensed with, but when we ask who would be the gainers by the change the answer does not come swiftly. As matters stand at present there is doubt whether society at large or merely an insignificant part of it would be benefited by wiping out the superfluous middleman.

No one will dispute the force of a showing such as that derived from the pages of "Work and Wages" in which the low cost of building, the method of the builder and the excellence of his work in the Middle Ages is described and attributed to the absence of the middleman. "I have already stated," says Rogers, "that in the past which I have been contrasting with the present the relation of employer and employed was exceedingly direct; nor do I doubt that it was to this directness that the high remuneration of the citizen was due. A church or a mansion was to be built, a new wing or new offices to be added to a conventual house or college. Perhaps the owner supplied the plans. If not, the master mason knew how 'to draw his plot,' and the master carpenter his. The employer bought all the raw materials direct from the manufacturers and put them ready for use on the spot. He could calculate within a very moderate margin what the whole would cost and what would be the charge of labor.

"In the building to which I have referred (Tower of Rochester Castle) the cost of materials, on much of which labor is expended, was £54 10s 3½d; of labor £73 0s ½d; and the extras connected with the structure, but not immediately associated with the labor and materials, £14 9s ½d. Thus, in the aggregate charge, the cost of materials is 38.3 per cent.; that of labor 51.4 per cent.; and of extras 10.3 per cent. The multiple of twelve would put this structure at a cost of £1,703 12s 6d, from which should be deducted the sale of certain cranes, worth, on the same estimate, £73 12s, and therefore leaving £1,630.



“Now I make no doubt that at the present day the tower would cost from £4,000 to £5,000, and I infer that the additional cost would be entirely due to the charge of contractors’ profit, architect’s commissions and middlemen’s advantages. It is upon the saving of this enormous waste that the energies of the intelligent employer are directed, and the advocates of increased wages for workmen should be. When the economy is effected it will be found, concurrently with another reduction of charge alluded to already, that workmen may get better wages and may be more cheaply housed. It is assuredly from the stint of wages that the profits of middlemen have been derived.”\*

We fancy that no one who is at all familiar with the processes of modern trade will be greatly surprised by an exposition such as this, which shows that the toll takers from production in modern times make building cost fully threefold what it did in the Middle Ages. An inquiry into the actual working of the system of unlimited competition will develop that the influence of the middleman on the cost of building does not stand as an isolated phenomenon. On the contrary, it can be easily shown that in nearly every line of production the cost of the article produced is enormously increased to the consumer by the exactions of the middleman. But the free trader, whose eagerness for cheapness makes him an advocate of unlimited and unrestrained competition, tries to close his eyes to its drawbacks and refuses to see that it aggravates the evil referred to.

The practice of overcapitalizing resorted to by promoters of transportation companies and industrial enterprises is merely another form of this system of toll taking, for it serves to enhance the cost of things consumed as effectually as the multiplication of middlemen. The process is simply disguised by substituting the bond or stock holder for the eliminated middleman. When, to illustrate, a rail-

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\*Rogers, *Six Centuries of Work and Wages*, p. 544.

road is made to pay interest and dividends on a capitalization three or four times as large as the real investment, the excessive charges imposed on the consumer are as severely felt as though they were drawn from them by middlemen.

If those who agree with Rogers that the middlemen are taking the lion's share of the profits of modern production, and that while they do so it must be impossible for the workingman to greatly better his condition, would examine the matter carefully they would speedily discover that combinations must intensify rather than abate the troubles of the industrial classes. It does not require extraordinary penetration to discover that the elimination of unnecessary middlemen cannot be an economic gain if their places are filled by owners of capital, who, by combining, can make their investments yield greater returns than when they are arrayed against each other. And it must be obvious that the workers who are deprived of a chance to earn a livelihood by the practice of economics inuring entirely to the benefit of bond or stock holders would suffer greatly. The wage earner who succeeded in retaining employment might for a time receive better compensation; but how about the vast number that would necessarily be added to the submerged class by the process of combination? Would they be benefited by the change? Would the diminished cost of production help them? They would still be consumers, those who did not starve, but cheap food and cheap articles are dear to those who have not the wherewithal to buy them.

When we examine the figures which bear on the possible consequences of the elimination of the mere toll gatherer from production we are appalled at their significance. The unnecessary middlemen are so numerous that to deprive them of the opportunity to prey upon the producer might force a revolution. Should they be compelled by means of combinations to join the ranks of the submerged, driven from employment by improved and automatic machinery, a resort to state socialism would be the inevitable outcome.

A much quoted American writer has made an inquiry into the possible results of dispensing with the superfluous middleman by compiling the facts bearing on production and distribution in the United States that are contained in the census of 1880. He prefaces his introduction of the figures with some remarks pertinent to the subject. "There are," he says, "certain ethical problems which may come into view to him who seeks to justify his own greater share in the comforts of life. One question which a man may put to himself might be: Does the occupation in which I am engaged add to the mass of products which are needed in general consumption more than is taken away by my own consumption or by those among whom I spend my earnings? Or even a deeper problem may sometimes arise of an ethical nature. Does the work which each man performs come within the line of useful service? Does it add to the stock of useful products, or does it fall within the line of baneful service and add to the stock of harmful products? Is the demand for which this man provides the supply of a kind which adds to the comfort of the community as a whole, or is it one which tends toward want rather than welfare? By the answer to these questions each man may hereafter be judged in the court which supplements the treatment of economic questions by the study of ethics."\*

Having laid this foundation, he proceeds to an analysis of the disclosures of the census and finds that the following were the proportions of those employed in gainful occupations in the census year, the number so engaged being about one-third of the whole population :

Occupied in agriculture .....	7,670,493
Occupied in professions and personal service.....	4,074,258
Occupied in manufactures, mechanics, arts and mining....	3,837,112
Occupied in trade and transportation.....	1,810,256
	17,392,099

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\*Atkinson, *The Industrial Progress of the Nation*, p. 204.

A further compilation is made by the author we are quoting under seven titles, as follows:

**MENTAL WORK.**—Clergymen, 64,968; lawyers, 64,137; physicians and surgeons, 85,671; teachers and literary, 227,710; journalists, 12,308; scientists and engineers, 8,126; musicians, 30,477; officers of corporations, banks, railroads, insurance, etc., 202,423. Total, 696,000.

**MENTAL AND MANUAL.**—Merchants and traders, 481,450; hotel keepers, 32,543; clerks, salesmen, commercial travelers, brokers and all others engaged in the purchase and sale of goods, 521,898. Total, 1,044,000.

**AUTOMATIC MACHINERY.**—Collective factory work, textiles, printing and bleaching, 500,000; metals and machinery, 300,000; clothing 450,000; boots and shoes and hats, 210,000; all others, 280,000. Total, 1,740,000.

**MECHANICAL.**—Hand and machine tools: mechanical and collective: carpenters and other workers in wood, 500,000; blacksmiths, 172,726; painters, 128,556; masons, 102,473; all others, 958,045. Total, 1,861,800.

**MANUAL.**—Service: express, railroad, telegraph employes (not laborers), 300,000; domestic servants, 1,075,655; laundry, 123,000; waiters, 200,000; draymen, hackmen, etc., 180,000; all others, 391,345. Total, 2,279,400.

**HORSE AND HAND TOOLS.**—Farmers, herdsmen, stock breeders and the like, 4,350,000.

**CHIEFLY MANUAL.**—Laborers on farms, 3,323,876; laborers not specified, probably in part on farms, 1,857,023; miners, 240,000. Total, 5,420,899.

It would be idle for any one to attempt to determine exactly what proportion of the above categories should be characterized as unnecessary middlemen or toll gatherers from production. A very cursory examination of the details will, however, tend to convince any candid student that it is large. Let us take the first subdivision—that relating to mental work—and ask the question: How many of those included in the total of 696,000 add to the stock of useful

products or minister to the wants of those who do? How many of the 64,968 clergymen are devoted to advancing the religious welfare of workers? Of the 85,671 physicians do not by far the largest number devote themselves to curing the ailments of the well-to-do non-producer? Of those engaged in teaching and literature, over 227,000, how many are concerned in improving the mental condition of the working and producing classes? The number of scientists and engineers is set down as 8,126; are they all employed in useful work? The 30,477 musicians enumerated, did they employ their art to lighten the labors of the producer or to dissipate the ennui of those without occupation? How many of the 202,423 officers of corporations, banks, railroads, insurance companies were figure-heads permitted to draw large salaries for the management of concerns in which they invested capital?

Of the nearly 700,000 above enumerated perhaps one-half may have been parasites of the kind described by Rogers. When we turn to the second classification, "Mental and Manual," and apply the same questioning process we are forced to conclude that it embraces many whose occupation is chiefly that of dissipating or wasting the wealth of the producer. How many merchants and traders were there in the 481,450 whose services might not have been dispensed with without the communities in which they operated feeling a sense of loss? What proportion of the 32,543 hotel keepers maintained hostelries merely for the accommodation of the well-to-do, and how many of the 521,898 salesmen, commercial travelers, brokers, etc., would really be needed by society if the unscientific system of competition were displaced by a highly organized method of distribution such as that which combination secures?

The remaining categories of these titles would convey the impression that they included none but those employed in really useful, gainful occupations, but if we ask ourselves how many of the 500,000 engaged in manufacturing textiles

are working for the classes which never produce we are disturbed by the answer. We all know that while a large, indeed, the major part of those so engaged are producing staples, the number who are devoted to the production of mere luxuries, destined for the consumption of those who do not work, is very great. Those employed in the mechanic arts—carpenters, masons, painters, blacksmiths and others—are also in large part devoted to the service of the non-producer. If the facts could be arrived at it would probably be seen that the major part of the wages earned by the classes of labor last mentioned are derived from ministering to the pleasures of the rich. It costs more to build a handsome residence for a merchant prince or a successful contractor or railroad exploiter than it does to build six blocks of houses for deserving workmen. Three thousand people are huddled into a tenement in Vienna, which, imposing as it is in appearance and a decided advance in point of comfort over similar housing facilities of the working classes, perhaps did not cost half as much to construct as many private mansions in the same city.

And so we might go through the list without shaking the conviction that an immense proportion of the whole 17,392,099 said to be employed in gainful occupations are not assisting in the work of production. We certainly would find as the result of such an examination that the greater part of the 1,075,655 domestic servants, the 200,000 waiters, the 180,000 draymen and hackmen, and the dubious category which includes 4,350,000 farmers, herdsmen, stock breeders and the like, was made up of toll gatherers who might be eliminated without materially reducing the volume of useful production.

But who will be rash enough to advocate such elimination? Not the attentive student of the work of Rogers, for, although he assumes in some parts of his writings that the extinction of the useless middleman would inure to the benefit of the wage earner, in other places he significantly

warns against the dangers which would follow a radical disturbance of the existing order. He tells us "it is one of the commonplaces of ignorant optimism to allege that the remedy is supplied by taking away the cause of the disease; but the maxim that the effect ceases when the cause ceases is true in organic nature only, and not always true there. The present condition of English society, its violent contrasts of opulence and penury, of profligacy protected by law, and misery neglected by law, is the outcome of causes which have a longer pedigree than the recorded generations of any family. The people of Great Britain," he adds, "have become what they are by reason of events and acts which it is the duty of the genuine economist to discover, as contrasted with the economist who constructs a system out of a few axioms and a multitude of postulates."\*

Rogers, whose contradictory conclusions are an evidence of the sincerity of his work, thought that he at least would not be obnoxious to the criticism that he tried to construct a system "out of a few axioms." But he is infinitely narrower than the economists he condemns, for the work of his life has been to demonstrate that cheapness is the greatest boon that man can enjoy, and, while he has tried to exhibit a rare sympathy for the workingman, he has persistently advised a course of action which must inevitably tend to degrade the worker. Even his panacea—that of eliminating superfluous middlemen, while retaining the capitalistic parasite—is open to the objection that it would still further swell the number of those obliged to maintain themselves by useful work, and, by pitting them against each other, would make it impossible for them to emerge from a condition of dependence.

But the parasites of industry cannot be eliminated so long as the competitive system prevails; therefore we should study how to minimize the advantages they enjoy and not

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\*Rogers, *Six Centuries of Work and Wages*, p. 435.

assist in increasing them. That the cheapening of products at the expense of the producer contributes materially to widening the breach between those who have in abundance and they who seek an opportunity to earn a living can easily be demonstrated. If the rich man who employs a retinue of servants can succeed in cutting down the cost of production of wheat he not only benefits from the reduced price of what he personally consumes; he is also a beneficiary by the amount he saves in the reduced cost of the maintenance of all those who are dependent upon him or who minister to his luxury. In short, as in the case of the rain which falls alike on the just and the unjust, the blessings of cheapness extend to those who have no share in bringing them about, and, to continue the simile further, it frequently happens that those who least deserve to benefit, like the greedy appropriators of water in an arid country, who, in defiance of natural rights, by virtue of riparian privileges, manage to secure the lion's share of an element as essential to productivity as the land itself, are the greatest, often the sole, beneficiaries.

When we gather the full import of the figures quoted by Mr. Atkinson, or investigate the extent of that part of the population of Great Britain which under any construction must be regarded as unproductive, we are forced to conclude that all consumers do not stand on the same plane, and that no one sincerely desirous of promoting the welfare of the classes actually producing will contend that all are alike benefited by low prices no matter how they are brought about. Such a claim could only be fairly made if all the people were engaged in the work of production, and not even then if the machinery of distribution was not carefully adjusted so as to secure to every member of society his just proportion of the reduction. It is absurd to contend that a lessening of the cost of manufacturing inures equally to the benefit of all consumers. As may readily be shown, the reduction may be entirely absorbed by intermediaries.



The cost of raising coal to the dumps may be reduced 30 cents a ton by cutting down the wages of the miners, but the poor wretch who buys it by the bucket is not likely to learn the fact. The farmer may be compelled by the competition of the Indian ryot to sell his wheat at a price which will scarcely remunerate him for his toil, but the cost of the loaf to the British or American workingman is not always reduced in unison. Retail prices never move up and down in strict harmony with those of the wholesaler. They are quick enough to respond to the upward push, but their fall is never rapid.

But after all that is said and written on this subject by economists, practical experience and the judgment of the masses will be accepted as better testimony than statistical tables showing relative prices and wages. A consensus of this sort of opinion would certainly be that the really dear countries are those in which the workingman thrives least. It will be the object of the writer in the next chapter to develop the fact that this opinion, though the vulgar one, is sound, and to tell why it is so.

## CHAPTER XIX.

### WORKINGMEN AND WAGES.

#### TRADES UNIONISM IN GREAT BRITAIN AND THE UNITED STATES.

The benefits of a cheap loaf—The chief beneficiary of the cheap loaf is the middleman—The Orient as a land of cheapness—Object of a protective tariff is to assist the productive consumer to maintain himself against the non-producing consumer—High duties on competing products paid by the well-to-do classes—The cost of the great staples no longer affected by duties—A dear country for the rich and a cheap country for the toiler—The part played by the standard of living in determining the rate of wages—Taxation of necessaries cannot touch the worker—Inconsistency of the policy of unrestricted free trade and labor combination—Ineffectual effort to promote international trades unionism—Trades unionists moving towards socialism in England—Extent of the importation of manufactured goods into Great Britain—The desirability of competition recognized by protectionists, but regulation assumed to be necessary—Advantages enjoyed by trades unionists in the United States—Protection a safety valve for social discontent—Higher standard of living of American workers not due to abundance of land.

There must have been moments when Professor Rogers felt uncertain about the correctness of his theory that the best interests of mankind are subserved by a policy of cheapening regardless of its effects on producers, for we find him saying in one of his lectures that "the best economic condition is not that in which the greatest amount of produce is obtained at the cheapest rate, the greatest amount of capitalists pick up the greatest amount of profits; but one in which the greatest amount of workmen can live in the greatest possible comfort and security."\*

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\*Rogers, *History of Commerce and Industry in England*, p. 343.

It is doubtful whether the writer meant to say exactly what he expressed in this instance, for his voluminous work on wages and prices indicates that he had constantly in mind the general good and that he instinctively rejected the hideous idea that a sound economic condition could exist in a society in which there was a large and constantly increasing submerged class. But his testy denunciation of those who suggested "fair trade" as a remedy for the undoubted agricultural distress which existed in England when he wrote "Work and Wages," will lead many to the conclusion that Rogers, in common with Sir Robert Giffen and other extreme exponents of the Manchester idea, shared the opinion that it did not matter much if pauperism vastly increased throughout the United Kingdom provided statistics could be formulated which would show that the number of persons with an increased income was greater than it was at the beginning of the Cobden era.

Although we find the professor referring to those who differed from him regarding the causes of the ruin which was gradually overtaking the British farmer as "muddle headed and selfish protectionists," and hotly denying that the farmer's distress was due to lower prices, his writings invariably tend to create the impression that he had been led astray by false analogies and that had he lived to observe the workings of the system he condemned he would have modified his views and made them conform to the idea expressed in the passage quoted in this chapter in which he elevates the worker to the first place in a sound system of economy.

If Rogers had lived until the present time he would no doubt be ready to admit that the conclusion he reached in 1883 respecting the cause of English agricultural distress was erroneous. He declared then that "while it was patent to everyone that a vast amount of English land was going out of tillage \* \* \* the mischief could not have come from lower prices," because they were incon-

testibly higher than they were ten years earlier.\* In 1883 a student of prices, especially one accustomed to embracing in his view whole eras, as Rogers did in "Six Centuries of Work and Wages," might easily have concluded that the declines witnessed between 1873 and 1883—the latter being a year of high prices and exceptional prosperity—were abnormal, and, therefore, should not be taken into consideration. But no one surveying the trend of agricultural prices during the period subsequent to 1883, and the effect of the fall in still further changing the character of British tillage, would have ventured to affirm that the sole cause of the troubles of the English farmer was excessive rent. Such an opinion became absolutely untenable when a large proportion of the land which was once a source of profit to the British landlord and tenant could no longer be worked because of the competition with cheap cereals from all parts of the world that flooded the markets of Great Britain.

If Rogers were still alive he might perhaps view the "cheap loaf" with the same distrust that many of his countrymen who were once ardent Cobdenites now do. Professor Lecky, speaking of this tenet of the Manchester faith, tells us that "even this last article (cheap food) is not generally held without qualification. Cheap food, it is beginning to be said, does not necessarily mean the very cheapest, and a system under which the greatest and most important of all national industries is almost hopelessly paralyzed, under which land is fast falling out of cultivation, and the agricultural population flocking more and more to the congested towns, cannot be really good for the nation."†

There are too many who corroborate this estimate of changed sentiment in England to permit it to be disputed. It would be easy to fill volumes with quotations from Brit-

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\*Rogers, *Six Centuries of Work and Wages*, p. 519.

Ibid, p. 518.

ish writers containing admissions that the struggle for the cheap loaf has brought in its train evils which threaten the national existence. Some of these drawbacks have been discussed elsewhere, but here we are concerned particularly with that phase of the question which may be regarded as purely economic, i. e., whether English workmen, as a whole, have been benefited by a process of cheapening which has practically arrested the development of British agriculture and forced large numbers of toilers who might have earned a living by tilling the soil into the towns to compete in the already congested manufacturing districts for a chance to earn a livelihood.

In the preceding chapter admissions of Rogers were adduced to show that the middleman, whom he characterizes as an evil and whose elimination by means of trusts he inconsistently advocated, was the real beneficiary of the cheapening process because he made no sacrifice to bring about the result. This is a view shared by the author of "Democracy and Liberty," who remarks: "To those, indeed, who observe how large a proportion of the advantage of the extreme cheapness of articles goes simply to the middleman, and not to the consumer, it will appear very doubtful whether a low corn duty would have any perceptible effect on bread."\* In another place Lecky tells us that "the horrible grinding of the poor that takes place under the name of sweating is not for the benefit of the rich man. He buys his clothes or shirts at a price which should amply allow for the proper payment of labor. It is in the struggle to provide clothes of extreme cheapness for the very poor that these evils chiefly arise."†

The striking similarity of these observations to those made by Carlyle during the heat of the corn law discussion will not escape the attentive reader. "Brothers, we will

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\*Lecky, *Democracy and Liberty*, Vol. II, p. 465.

†*Ibid.*, Vol. II, p. 419.

cease to undersell them," said the cynic; "we will be content to equal sell them; to be happy selling equally with them! I do not see the use of underselling them. Cotton cloth is already two pence a yard lower; and yet bare backs were never more numerous among us."\* Thus the "sage of Chelsea" brushed aside the sophistries and refinements of the economists: "Were the corn laws ended tomorrow," he said, "there is nothing yet ended; there is only room made for all manner of things beginning. The corn laws gone and trade made free, it is as good as certain this paralysis of industry will pass away. \* \* \* In this of itself is no salvation. If our trade in twenty years, flourishing as never trade flourished, could double itself, yet then also, by the old *laissez faire* method, our population is doubled to."†

Carlyle was not a professed economist. He had a hearty contempt for those who preached "the mammon gospel of supply and demand, competition, *laissez faire*, and devil take the hindmost," which he characterized as "the shabbiest of gospels ever preached," but he had a way of getting at the kernel of things which was very uncomfortable for those who tried to convince themselves and those who would listen to them that the cheapening of production was to be the great panacea for all woes. "You have produced," said Carlyle; "he that seeks your indictment, let him look around. Millions of shirts and empty pairs of breeches hang there in judgment against you. We accuse you of overproducing; you are criminally guilty of producing shirts, breeches, hats, shoes and commodities in a frightful overabundance. And now there is a glut and your operatives cannot be fed."‡

A half a century has rolled around since Carlyle thus

\*Carlyle, *Past and Present*, p. 219.

†*Ibid*, p. 221.

‡*Ibid*, p. 204.

expressed himself; were he alive today he might point to his prophecy and repeat his question: "What is the use of your spun shirts? They hang there by the million unsalable; and here by the million are diligent bare backs that can get no hold of them. Shirts are useful for covering human backs; useless otherwise, and unbearable mockery otherwise."\*

And yet during this period how vastly more cheap have things become than when Carlyle wrote. But what has the world gained on the whole? Giffen tells us that statistics prove that more people than formerly are able to get shirts, but he does not conceal the fact that the number of bare backs is on the increase. Indeed, the growth of the shirtless element has impressed him so strongly that he has ingeniously constructed a new society out of its members which he suggests must be kept without the pale of that section which is lucky enough to get shirts.

Why the preachers of the shabby gospel of Cobdenism should have imagined that cheapness could better the condition of mankind passes comprehension. A knowledge of the results of an incomparably greater cheapness in the Orient than Western peoples are capable of conceiving must have warned them that squalor and want may easily be its accompaniment. The experience of India and China was theirs to draw upon. They could also look across the English channel and see the wretched condition of the working people in countries where the cost of living was infinitely lower than in England; yet they refused to heed these examples and rashly assumed that they could overcome the evil effects of a system which, followed to its logical conclusion, inevitably tends to the degradation of the workingman. They would not see that attempts to benefit the producing consumer by reducing the profits of the producer and the wages of those who assist him in producing is as senseless a proceeding, regarded as a remedy

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\*Carlyle, Past and Present, p. 25.

for economic distress, as it would be for a starving man to try to sustain himself by devouring his own flesh.

"It must never be forgotten," says a modern free trader, "that the mass of producers form also the mass of consumers, and to benefit producers generally at the expense of consumers generally is like transferring money from one pocket to another and dropping some of it in the process. The best illustration of this growth of monopoly by imitation is afforded by protective duties. One duty leads to another until all industries are protected, with the result that the real productive powers of the society are lessened."\*

It is by means of such generalizations as these that men who aim at the truth manage to deceive themselves. We have already seen from the testimony of Rogers and others that the unnecessary middleman, and the capitalist who lives on his unearned increment, constitute as important a part of society as the true producer. The author quoted also dwells upon the unnecessary multiplication of middlemen and the existence of a large class who "neither toil nor spin," but when he begins to generalize he forgets them and teaches that the producer and his workmen are robbing themselves when they succeed in increasing their profits and wages at the expense of the non-producing consumer. It is by means of this process of self-deception that English Cobdenites render themselves unfit to pronounce upon the workings of a properly constructed protective tariff, and fail to see that it operates almost wholly in the interest of the classes who are compelled to toil productively to earn a livelihood.

It is possible that at some time a free trader has seen and admitted the fact that the protective tariff of the United States is laid on a large number of articles which are strictly in the category of luxuries; if so, the admission has never come under the observation of the writer. On the con-

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\*Nicholson's Principles of Political Economy, Vol. II, p. 71.



trary, he has discovered that Cobdenites invariably assume that the effect of protection is to raise the cost of the articles produced within the area of a protected country to the working consumer. That there is no ground for such an assumption a moderate familiarity with the operation of the American tariff will permit anyone to assert with positiveness. Its schedules are filled with duties on articles rarely consumed by the working classes. Among them may be enumerated the finer grades of woolen goods, silks, satins, velvets, fine tobaccos, perfumes, bric a brac, laces and embroideries, fine wines and liquors, plate glass, costly mirrors, fine clothing, high grade crockery, fine leathers and leather goods, gloves, and hundreds of other things with which the worker has no more acquaintance than that derived from seeing them exhibited in the show windows of shops.

Now it is obvious that the imposition of these duties results in what Professor Nicholson describes as "a transference of money from one pocket to another," but the pockets are not, as he assumes, in the clothes of the same person. If the duty on gloves makes the cost of those articles two dollars a pair, the workingman whose family never wear high grade gloves is not affected by the high price. The imposition of a heavy tariff on champagne does not concern any other class of consumers than the rich able to afford such luxuries. So, too, with high grade woolen goods; it cannot matter to the workingman whether the wearer of clothes made from them pays twenty dollars a suit or sixty dollars. The productive worker in the United States who sits down to his abundant meal, served on modest stoneware which figures as semi-porcelain, would be surprised if you attempted to tell him that he was injured by a tariff imposed on so-called art china which helps to make a single plate of a dinner service cost more than all the crockery consumed by his household. He would be amazed if a sensible man were to seriously inform him

that he was a sufferer because the cost to the consumer of the infinite variety of articles of bijoutry, which are never seen in the homes of the best paid workingmen, was enhanced by the tariff. More than this; if he were an intelligent American workingman he would probably retort that instead of being injured by the duty he was benefited, for its imposition called into existence manufactories which, by increasing the opportunities for employment, helped to maintain the scale of wages he was enjoying and gave him some assurance that when his growing family reached the age when its members would also require work there would be a chance to get it which would not exist if the country he lived in refrained from attempts at the diversification of industry.

It would be impossible to actually determine what proportion of protected articles in the United States come in the category of luxuries, but it is the major part. Whatever may have been the case in the past, it is impossible now for anyone to assert that the cost to American consumers of the great staples is affected by the operation of the tariff. It would be manifestly absurd to assume that the cost of iron in this country is increased by the tariff in the face of the fact that the price level is lower here than in Great Britain. Equally idle would it be to say that the commoner classes of cotton goods, such as sheetings, drillings and calicoes, are made dearer on account of the duties; the factory price lists and growing exports to other countries, despite sharp competition, show that this is impossible and that Americans are actually enjoying lower prices for commodities of this kind than most other peoples. The same thing is true of the class of woollen goods worn by the majority of the American people. The effect of the tariff has not been, as Cobdenites assumed it would be, to make the products of the American mills working up the wool from our vast flocks as much dearer as the added duty. On the contrary, the internal production and

competition have been important factors in regulating prices, and they have resulted in giving Americans of the working classes relatively cheaper clothes than foreigners in the same condition of life enjoy, else how can the fact be explained that the masses in Europe are arrayed in garments which most American workers would refuse to wear because their poor quality and lack of finish and poor workmanship would not meet their requirements?

There is no intention on the part of the writer to convey the impression that the United States is a cheap country, for it is not. In pointing out that the great staples consumed by the masses are cheap we have no other object than to make clear the fact that it is possible for the American workingman, if he cares to subject himself to the same rule of conduct which obtains among his fellows in Europe, to live much more cheaply than they do. The distinction we desire to make is one which forcibly struck Matthew Arnold in discussing "Civilization in America," namely, that the United States is a dear country for the rich and a cheap country for the toilers. In an article widely published Professor Arnold, taking certain strictures of Sir Lepel Griffin for his text, after presenting a picture of the conveniences which an Englishman could command much more cheaply than Americans, went on to say:

"Probably Sir Lepel Griffin had this notion of the comforts and conveniences of life much in his thought when he reproached American civilization with its shortcomings. For men of this kind and for all that large number of men so prominent in this country, and who make their voices so much heard, men who have been at the public schools and universities, men of the professional and official class, men who do the most part of our literature and journalism, America is not a comfortable place to abide. A man of this sort has in England everything in his favor; society appears organized especially for his advantage. A Rothschild or a Vanderbilt can buy his way anywhere and can

have what comforts or luxuries he likes whether in America or England. But it is in England than an income of from three or four to fourteen or fifteen hundred a year does so much for its possessor, enables him to live with so many of the conveniences of far richer people. For his benefit alone all clubs are organized and hansom cabs ply; service is abundant, porters stand waiting at the railway stations. In America all luxuries are dear except oyster and ice; service is, in general, scarce and bad; a club is a most expensive luxury; the cab rates are prohibitive—more than half of the people who in England would use cabs must in America use the horse cars, the tram. The charges of tailors and mercers are about one-third higher than they are with us. I mention only a few striking points as to which there can be no dispute and in which a man of Sir Lepel Griffin's class would feel the great difference between England and the United States."

Having thus pointed out who were the real beneficiaries of cheapness in England, Professor Arnold proceeded to institute a comparison between the conditions of the workers in this country and in England in which he eulogized the sturdy independence of the American worker who held up his head and felt that he was a man among men, contrasting him with the English toiler, whose lot was infinitely harder and whose mode of life was sordid compared with that of the man who earned his livelihood in the United States. Professor Rogers, who preached the gospel of cheapness almost unceasingly, also bore testimony to the truth of Arnold's assertion in a lecture in which he discussed the subject of emigration to the United States, saying: "You never see a servile American and rarely meet one who is insolent."\* It is true the distinguished Cobdenite had a theory to account for this remarkable difference between the toilers of the two countries, but his inference was absolutely unsupported by facts, as we shall see

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\*Rogers, *Economic Interpretation of History*, p. 282.

later on when we inquire what effect on the material prosperity of the American workingman was produced by the abundance of land in the United States. We are simply dealing here with his admission that the workingmen in a country of high protection, in which nominal dearness prevailed, were so well contented with their position in life that they could deport themselves in a fashion calculated to favorably impress itself on the mind of an observing man who lived in a country of free institutions where the toiler as a rule carries himself either servilely or insolently.

Arnold and Rogers voiced their opinions on this phase of the subject twelve or fifteen years ago. A prominent Englishman, Professor Lecky, who delivered himself more recently, has found little change since they wrote. He says: "Although America has experienced many periods of acute commercial crisis and depression, the general level of her well being has been unusually high. Property from the first has been very widely diffused. Her lower levels in their standard of comfort more nearly resemble the middle than the lowest class in European countries."\*

Now what is the cause of this striking feature in American life which these three competent critics single out and dwell upon? Rogers satisfied himself that it is due to the ability of the American workingmen to relieve the pressure of competition by going onto vacant land, an opinion which was shared by both Arnold and Lecky, although the latter had a glimmering of the true reason, as we will infer from this paragraph from "Democracy and Liberty": "There is undoubtedly some truth in the doctrine which is now much taught that a rise in the habitual standard of comfort among the working classes is not only the consequence, but also in some degree a cause of higher wages. This is especially the case when it is gradual, normal and general."†

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\*Lecky, *Democracy and Liberty*, Vol. I, p. 68.

†*Ibid.*, Vol. II, p. 435.

Professor Lecky is wrong in assuming, as he evidently does, that the doctrine he speaks of is a new one. If he will read Smith's "Wealth of nations" attentively he will see that it was tolerably well defined by the learned Doctor, who taught in the most unmistakable fashion that the laborer was constantly being pressed to the subsistence level. The whole theory of free trade revolves around this idea. If any one doubts it let him study the import of this and similar passages from Smith: "The advanced price (caused by taxation) of such manufactures as are real necessities of life, and are destined for the consumption of the poor, of coarse woolens, for example, must be compensated to the poor by a further advancement of their wages. The middling and superior ranks of people, if they understood their own interest, ought always to oppose all taxes on the necessities of life, as well as all direct taxes upon wages of labor. The final payment of both one and the other falls altogether upon themselves, and always with a considerable overcharge."\* In the same connection Smith further says: "Taxes upon luxuries have no tendency to raise the price of any other commodities except that of the commodities taxed."

Here we have the economic idea of the *laissez faire* school put into the space of a nutshell. No matter what irrelevant stuff may be written about the benefits of cheapness it cannot conceal this cardinal belief that free competition among the working classes must necessarily bring all the competitors down to the level of brutes, where the struggle is merely one for existence. No other meaning can be attached to Smith's language, and to his utterly heartless suggestion that "the middling and superior ranks of people" should always take care to avoid taxing the necessities of the working classes, but should instead single out their luxuries. This has been the steadfast purpose of

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\*Smith, Wealth of Nations, Bk. 5, Chap. II.

the Cobdenites. The history of English taxation, and its incidence since 1848, shows that they have not missed the hint, for the masses, who in Great Britain enjoy less than a tenth of the total revenues from trade and all other sources, are called upon to pay over one-half of the taxes for the support of the general government. Adam Smith tells us that the effect of competition has been to make men narrow and selfish, and refers to the destruction of the spirit of hospitality which it has brought in its train. He might have completed his indictment by charging that it taught men to be inhuman, for certainly no more cunning scheme of keeping men in perpetual slavery could be devised than the one which deliberately seeks to throw the burden of taxation on those least able to bear it.

That the attempt to completely enslave the masses proved unsuccessful in England is wholly due to the fact that the workers banded in self-defense, and, by means of unions, completely nullified the law which Smith saw would keep the toiler in subjection if it were permitted to work unrestrainedly. The original free traders were thoroughly imbued with the ideas of Smith, and, therefore, consistently opposed the efforts of labor to organize. John Morley, in his biography, quotes Cobden as saying: "Depend upon it, nothing can be got by fraternizing with trades unions. They are founded on principles of brutal tyranny and monopoly. I would rather live under a Dey of Algiers than a trades committee."\* John Bright, who saw danger in the attempt to rescue children from the horrors of the factory system and unweariedly opposed the English factories acts, as late as 1888, writing to an American, said: "Whilst your tariff is in force you need not expect your workmen to be wise. Protection, which means robbing somebody, will not content itself with enriching manufacturers, but will be called in to give higher wages and shorter hours of labor to your workmen."\* Later free traders, conspicuous

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\*Morley, Life of Cobden.

among them J. Thorold Rogers, have accepted the situation and have ceased to struggle against the inevitable.

But the recognition of the fact that such arguments as John Bright employed are not tenable in a country where the workingmen enjoy the franchise has not prevented free traders making themselves ridiculous by advancing theories and giving advice wholly inconsistent with the doctrine of *laissez faire*. Rogers says: "The evidence of the present and the example of the past appear to prove that labor partnerships are the remedy for low wages";\* but to the last moment of his life he advocated the utmost freedom of trade. Now, it should have been clear to any reflecting man that a combination for the purpose of maintaining a wage rate could only be effective so long as competition was restrained within the area in which the agreement operated. If the English silk spinners and weavers agreed among themselves to keep up their scale of wages only one result could follow their action if manufacturers in France or other countries where labor could be obtained on cheaper terms were permitted to freely introduce their products into England. That result would necessarily be the closing up of the English silk spinning and weaving factories, for those who conducted them would not do so indefinitely at a loss.

In the heyday of Cobdenism the advocates of *laissez faire* jauntily declared that this was as it should be. "If," they said, "the English workingman cannot produce a certain article as cheaply as his French competitor he should retire from the contest." For awhile this view appeared to meet with universal favor throughout Great Britain. Those entertaining it were deluded by the economists, who loosely taught that the extinction of a single industry was of no consequence and should not be taken into consideration if in its place other industries were created for which the people were better fitted and which would enlarge the

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\*Bright, John, Letter to L. M. Reavis, of St. Louis, Mo., Feb. 6, 1888.



avenues of employment while increasing the national wealth. But the vital error of this method of teaching was that it ignored the fact that there were no industries practiced by Englishmen which they were better fitted to pursue than other peoples. The failure to perceive this blinded many who accepted the doctrines of the Manchester school to the danger that the loss of industries might finally become so great as to imperil the national welfare.

We have seen that the investigators of the repeal of the corn laws at first entertained the belief that English agriculture was impregnable. Later, when they discovered that the natural protection upon which they had relied was broken down by the vast improvement in transportation facilities, they shifted their position and declared that while the individual landlord and his tenant farmer and many farm laborers had been injured, the gain of national wealth was so great that it would be irrational to count the losses of a class as a sacrifice. In the same way, when it was pointed out that the silk spinners and weavers of England were being driven to the wall by continental rivals, the answer came promptly that the sufferings of the displaced employes were regrettable, but that they were more than balanced by the opportunities to obtain employment which the expansion of British industry in other directions afforded.

But there has been a decided revision of opinion on this point in England in recent years. The optimistic view predicated upon the fact that English wages were higher because the British worker was superior to his rivals has largely disappeared, and it is now beginning to be seen that this was due, not to the cause assigned, but, as has been shown at length elsewhere in these pages, to the enjoyment of a practical monopoly of production in many lines by the British, whose rivals were not enterprising enough to enter the manufacturing lists with them. So long as the lethargy of the countries now actively competing with the British lasted the manufacturers of Great Brit-

ain made enormous profits, and these they were, through the instrumentality of the labor organizations, compelled to share to a greater or less extent with their operatives.

As soon, however, as rivalry began to have full play the conditions changed. When Belgium, Germany and other countries began to excel in the fields in which the English once thought themselves pre-eminent the British worker woke up to the fact that there was a law affecting wages as unailing in its operation as that which makes water find its level. They soon discovered that there was some connection existing between the cheapness of Belgian and German products and the low wages and long hours of labor in that country. It was not long after this discovery that practical Englishmen cast to the winds as idle tales those statements which made out the French, the German and the Belgian workmen to be fellows whom no British toiler need fear. The fine spun deductions from Brassey's estimate of the relative superiority of the English navy, who was oftener an Irishman than an Englishman, were dismissed, and instead the view that no rival in the field of industry was to be despised has taken its place. Spencer and other theorists who built up an airy fabric of British labor efficiency are now out of fashion, and it is the custom for the visiting delegations and commissions, after their return to England from other countries, to tell their countrymen that they are backward and that they must, in order to win in the industrial race, put themselves abreast of the more progressive peoples.

These latter recommendations are often obscured by the assumption that the cause of the relative stagnation of British manufacturing industry is due to the lack of enterprise of the owners of plants, who are unwilling to adapt themselves to changing conditions by promptly adopting improved machinery, but the trades unionists steadfastly refuse to accept this view except under compulsion. Their opinion is that the English workingman is at a dis-

advantage with his foreign competitor because the latter, either from force of circumstances or choice, works longer hours and for less wages.

Hence the movement for internationalism in trades unionism. Committees are now sent to the continent by the English trades unions to impress on their fellow workers in other countries the necessity of abridging their hours of labor and of compelling their employers to pay higher wages. But missionary work of this kind has little or no effect, because the people to whom the argument is addressed see that the whole matter under present conditions resolves itself into a struggle for existence and are naturally reluctant to adopt a course which, according to the belief of the men who are endeavoring to persuade them, would result in making competition with England more difficult, or, to put it in another way, the continental workmen fear that the attempt to put themselves on the same plane as the British would result in depriving them of the opportunity to earn anything at all. In short, they are imbued with the idea that a half a loaf is better than no loaf at all, and they are not likely to surrender it so long as they are confronted with the spectacle of nations quarreling over opportunities to extend their trade, a state of affairs which makes the Cobdenistic theory of the illimitability of the world's markets appear too ridiculous for sensible men to give it much further thought.

The English appear to be unconscious of the real trend of trades unionism, or they would not fall into so many contradictions in discussing it; nor would they entertain the hope, as Rogers did, that it will finally satisfactorily work out the true economic problem of giving the producer a fair share in the game of life. That it never can bring about such a result while unrestrained competition prevails has long since been perceived by many of the brighter minds who are shaping the destinies of the order to which they belong. The Parliamentary Committee of the Trades Union

Congress which met in England in 1888 voiced the sentiment which is becoming more and more general in that country when it declared that: "The demon of cheapness has permeated our whole social system, and while the cheapness of goods has been a matter for wonder, purchasers seldom or never give a thought to the human blood and muscle that have been ground up in the production of the article."

That men who entertain and promulgate sentiments of this character can be permanently attached to the *laissez faire* policy by the bait of the cheap loaf seems incredible; that they still adhere to it is, however, a fact. How long they will continue to do so is problematical. The manufacturers and the trades unionists of England have just passed through a conflict which threw into plain relief some of the difficulties that confront employer and employed in that country. On the one side it was contended that the struggle was for a living wage; on the other it was plainly asserted that the question resolved itself down to this simple proposition: Unless labor makes concessions the English manufacturer will be compelled to abandon competition and surrender to foreign rivals. Reduced to its lowest terms, the contest was, therefore, one between a living wage and an offer of a half loaf, the tender of the latter being accompanied by the significant intimation that "half a loaf is better than no loaf at all."

That this condition of affairs has been brought about by unrestrained competition no one can very well deny without contradicting all the evidence of history. Had not England unduly stimulated the development of her resources she would not today be in the position of an overpopulated land. Had she, instead of pursuing the wasteful policy of bringing raw materials from her remote colonies to fashion them into articles for consumption at home, encouraged the establishment of manufactories throughout her entire empire there would be a different story to tell to-day. Had the draft upon the resources of the British Isles been merely

normal her scientists and practical men would not be discussing the question of the exhaustion of her fuel supplies in the near future. In short, had it been the policy of England to not only permit but to actively encourage the uniform development of the territory of the peoples she dominated, instead of seeking to divert the stream of wealth into one little island, there might have been a really great British Empire to-day, and not the precarious political fiction which that name now stands for.

Professor Rogers, whose devotion to *laissez faire* ought to be beyond suspicion, tells us that "it is a matter of great gravity whether we (the English) should welcome or even permit the perpetual immigration of a foreign element into the country," and he adds: "Workingmen, who understand the interest of their order, are alive to the risk which their organizations run from the competition of foreign immigrants, and, with characteristic public spirit, have suggested to foreign labor that it should seek to raise itself, not at the expense of other laborers, but in concert with other laborers."\* The suggestion referred to may have been spirited, but it was nevertheless foolish, because men pursued by want and hunger are not amenable to advice of this character. Crediting the English workingman with the average share of disinterestedness, or rather lack of it, we have a right to assume that when the British trades unionists told the foreigners that they had better stay in their own countries and try to lift themselves up they were more actuated by selfish fear of near at hand competition than by any hope or desire to see their rivals profit by their advice.

At any rate, it was grotesquely out of place for Englishmen who advocate the doctrine of unlimited competition to suggest that possible rivals should practice self-abnegation and refuse to compete with them; moreover, it was foolish, for, as Mr. Broadhurst, the labor agitator, remarked

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\*Rogers, *Six Centuries of Work and Wages*, p. 566.

at the Paris conference in 1883: "You cannot escape, try whatever you can, from the influence of competition any more than from the survival of the fittest." Rogers, who, as a free trader, advocated competition, shrinks from this naked presentation of its effects and says "it is possible that the struggle for existence, unless controlled and elevated, may be the degradation of all." True enough, but it is extraordinary that so profound a student failed to see that his doctrine of cheapness demands universal degradation.

The feeble expedient of the English to relieve the consequences of overpopulation, which takes the form of promoting emigration, must prove unavailing so long as the doors are left open for the introduction of the products of the cheaper labor of other countries. What can it avail the English worker if the foreign pauper immigrant is excluded, and the products of foreign pauper labor are freely introduced into England to compete with and drive out the products of British workers? What gain can result to the English worker from the exclusion of foreigners while they permit the owners of capital to transfer it to the countries in which cheap labor abounds for the purpose of utilizing it in the manufacture of goods to be freely imported into the United Kingdom for British consumption?

The extent to which this practice has already been carried ought long since to have warned the English workingman that attempts to prohibit pauper immigration into England and to promote pauper emigration to other countries—for it is one of the inconsistencies of free traders of the Rogers school that they condemn other people for seeking their country while they encourage the poverty stricken of their own land to flee to other parts of the world—must prove ineffective remedies for their grievances. Propositions to restrict immigration and promote emigration are not made in the interest of the British working classes. They are advocated on behalf of the non-producing classes, who wish to preserve for themselves the doubtful boon of

cheapness. The sentiments of these are echoed by the governing class, who see that the abnormal growth of population in the British Isles constitutes a menace recognized by all military critics as one that may prove destructive to the perpetuity of the empire.

No matter in what aspect we consider the fortunes of English workingmen we are forced to conclude that the outlook is not favorable for them. The remedy for their ills which Rogers recommends, trades unionism, is more likely to convert them into socialists and advocates of state intervention than to benefit them by helping them to maintain the standard of comfort reached by them during the period when British industry, by reason of its practical monopoly of the manufacturing field, was highly prosperous. English toilers will find that so long as foreign competition is unrestrained the tendency to bring all competitors to a common level of degradation must prove irresistible.

It is to be feared that this discovery may be made too late and that when the attempt is made to rectify the evil it will lead to a revolution—in all probability a bloodless one—in which the existing order will be overturned and a system of state control substituted in its stead. There are Englishmen who dread this outcome and who do not hesitate to express their fears, but their proposed panaceas and advice are unheeded. They could not prove otherwise than valueless, because they are compounded into a mixture which has unrestrained competition—the cause of all the trouble—as its principal ingredient.

Turning from the condition of the English to that of the American worker, we find some analogies which may strike the superficial as presenting difficulties as grave as those confronting the British. But there is this substantial difference in the situation: our evils are recognized and may be cured; those of the English system, though plainly seen, must be endured if free trade is to be retained. Briefly, it may be said that protection, by confining competition to

an area in which all the conditions are equal, or can be made equal, may be made to work advantageously, provided the remedies for abuses of its workings which may be easily applied are not disregarded.

Let us see whether this claim cannot be maintained. To begin properly it is essential to show that there is no foundation for the assumption of the Cobdenites that the effect of protection is to stifle competition. It is true that its purpose is to shut out, as far as practicable, the foreigner from the domestic markets for those articles which can readily be produced at home, but within the protected area competition has free play. That the operation of competition within a protected area may be as conducive to cheapness as world wide competition has already been shown by indisputable testimony. We have the evidence of English specialists that the iron and steel industry of the United States is now on a footing which makes it an object of dread to British manufacturers, who see the profits of our rolling mills and machine shops driving their own wares out of markets which they have hitherto monopolized. The same concession is made regarding our cotton textiles, many grades of which are successfully sold in the Orient in sharp competition with the products of British and German looms. The tale told by the price lists of the different countries of the world amply corroborates the admissions of the specialists and English trade journals. Our growing exports of manufactured articles confirm the statement that the cheapening of production during the thirty-five years since the close of the American civil war has been as great in the United States as in any country on the globe, and it may be added that during this period, owing to the tremendous stimulus given to production by protective tariffs in this and other countries, the process of making manufactured articles more accessible to the mass of consumers has gone on more rapidly than at any other time in the history of the world.



That a cheapening of production should have marked the development of the manufacturing industry in the United States under the protective system is not marvelous, although the Cobdenites have sought to make such a result appear impossible. Their chief mistake was due, as has already been shown, to the erroneous idea that capital for the conduct of manufacturing enterprises would be difficult to acquire and to the notion that manufacturing skill was not widely diffused. These were fundamental errors. Experience has shown that Smith, Mill and all the other economists vastly overrated the difficulties attending the creation of a capital sufficient to carry on manufacturing enterprises, and the prevalent opinion of the Manchester school that the people inhabiting a country of great agricultural resources must necessarily be absorbed in the tilling of the soil to such an extent as to unfit them for the cunning and skillful work of the machine shop or factory has been dissipated by an example of manufacturing growth which has amazed the world.

The horizon of the Cobdenites was entirely too narrow. It was cribbed and confined by the shores of the little island in which the "ism" had its birth. Those adhering to the doctrines of *laissez faire* were so much impressed by the great strides made by the English in manufacturing that they really imagined that it would be fatal to the rest of mankind to refuse to avail themselves of the comparatively marvelous cheapness resulting from British skill and ingenuity. It was this belief which gave birth to the confident declaration of the English free traders that protection could not protect and made them predict disaster to those countries resorting to it. Even now the contention that protection is an obstacle to production is not wholly abandoned. We still find professors working in the seclusion of university cells proclaiming that protection represses production and that no country practicing it can hope to build up a great external trade. For writers of this kind the fact that the

exports of domestic products from the United States in the fiscal year 1897-98 were greater than the exports of English products in the same year has no special significance, nor are they impressed by the assertions of such competent observers as J. Stephen Jeans, who distinctly proclaim that protection gives a decided advantage to a manufacturing country, because back of the barriers reared by the system the manufacturer may conduct his operations with the assurance of good prices that a secure home market gives and relieve himself of his surplus products by dumping them on foreign markets where the aberration of prices can affect him very slightly.

This declaration of Jeans has been enlarged upon in another connection, but it is necessary to recur to it here because it contains an observation which has a direct bearing on the subject of the well being of the workman in a protective country. The passage need not be quoted in its entirety, as it is reproduced very fully in another chapter.\* After recapitulating the advantages enjoyed by the protected manufacturers of Germany and the United States, Mr. Jeans proceeds thus: "There is method in this arrangement. With production on a large scale standing charges are kept down and the cost of manufacture is lessened, while the workmen, having full and regular wages, are not likely to be so difficult to handle as they would be if—as often happens in England—they were employed only to the extent of one-half or two-thirds of the full time."

This testimony is invaluable, because it is that of a free trader and a competent critic, Mr. Jeans being secretary of the British Iron and Steel Association at the time he expressed the view quoted. It is well, therefore, to endeavor to grasp the full significance of what he tells us, and also to inquire whether what he has noted may not have other and more far-reaching consequences than he supposes. It is true Mr. Jeans refers to the position of Great Britain

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\*Chapter VII, pp. 142, 143.

and intimates that her adherence to free trade will prove a hindrance to her adopting a policy which could successfully meet such tactics as those described, but he evidently did not fully consider the importance of the question to the workingmen of England. He speaks of the advantage the manufacturer in the protected country may derive from his ability to satisfy his workingmen by giving them full and regular wages, but he does not point out the cause of the disadvantages under which English workingmen must labor so long as Great Britain is subjected to what may be called the process of dumping surpluses on her markets. He says this dumping process can be "effectively met only by the adoption of a similar economic system, which, however, cannot be looked for in England, wedded as she is to free trade, whatever consequences that system may involve."

Although Mr. Jeans clearly intimates that the result may be disastrous to his countrymen, he shrinks from describing it. He is still under the glamour of the Manchester school and hesitates to unreservedly lay before his readers the fact that England is permitting herself to be deluged with the surplus goods of other countries because her economists are trying to preserve the keystone of the arch of Cobdenism—cheapness, no matter what the cost. But the keystone is rotten and endangers the whole edifice. Mr. Jeans, were he to speak frankly, would be compelled to admit that Great Britain, by the action of the manufacturers of surpluses in the United States and other countries, is menaced by the same danger to which the incipient industries of a protected country are subjected by well established rivals when they make a temporary sacrifice of profits in order to effect the permanent gain of crushing a possible or probable competitor.

That was the policy, as we have shown elsewhere, of the British in dealing with competitors during the period preceding and following the abrogation of the corn laws, and it proved successful until it was met by the imposition

of high tariffs in the countries threatened with an inundation of British goods. The fact that the rivals Great Britain had to deal with were deficient in capital, while under the reversed conditions she has an abundance, does not materially alter the case. No matter how great may be the accumulations of the English it is not likely that they will go on indefinitely dissipating them in unprofitable manufacturing adventures. If the practice described by Jeans is continued and Great Britain consents to receive all the goods offered to her at a less cost than her manufacturers can produce them, the inevitable result must be the extinction of her chief industries.

This is not likely to be accomplished in a day. The process of constriction will be a slow one and capitalists and workingmen alike will be called upon to endure a great deal while it is in progress. The latter will be powerless to help themselves by means of their trades unions. For a while they may win victories and by their solidarity succeed in forcing the employer to surrender more and more of his profits. They may even, before the struggle is terminated, succeed in compelling the employer to pay a living wage long after the latter has ceased to make profit, and it is a characteristic of established industry to persist in the face of loss, the hope of something better turning up preventing the owners of capital abandoning their investments until they are absolutely forced to do so. But in the end there must be a surrender, because no manufacturing or other industry can be permanently carried on without hope of profit.

The abnormal conditions produced in Great Britain by the undue expansion of the manufacturing industry induces many who perceive the drift of the argument of Jeans to believe that it would be impossible for the British to adopt a policy which would afford a reasonable protection to the English producer. They assume that the cheap loaf is essential to the maintenance of the present commercial position of

the islands and they keep before the workingman a picture of the consequences that might ensue if they were called upon to pay a trifle more for their flour and bacon, but they refrain from discussing the results that might flow from the imposition of protective duties on manufactured goods imported into England. It is true the subject is not entirely ignored, but the toiling classes are never permitted to see that the real beneficiaries of the cheapness resulting from the free admission of foreign manufactures are, as a rule, the members of the well-to-do class.

In 1896 the imports of manufactured goods into the United Kingdom were valued at £81,250,453. If the English worker would examine the items making this total he would see that they almost wholly represent articles which his class never consumes. Silks and other luxuries embrace a large proportion of the whole. As all free traders, from Adam Smith down, are perfectly agreed that the tax on luxuries must be borne by the consumer it can easily be seen that British workingmen are the victims of a deception practiced by the well-to-do classes, who, through their mouthpieces, teach that the people generally are benefited by the cheapening of such products, or, to put it in another way, that the workers would be injured by raising the prices of such luxuries to consumers.

It ought to be plain that the enhancement of the cost of kid gloves to the class wearing them could not prove injurious to the working people who never see such articles except in the shop windows or on the hands of those who do not toil for a living, and it ought to be equally clear that if, by the imposition of a protective tariff, a glove industry could be created and maintained in England which would give employment at remunerative wages to a large number of people the working class would be benefited even though the consumers of gloves were obliged to pay more for the domestic production.

The English once maintained a profitable silk spinning

and weaving industry that finally succumbed to the encroachments of cheaper foreign labor, because the silk products of other countries were freely admitted into the United Kingdom. In 1896 the value of the manufactured silks imported into the British Isles was £16,707,103. What proportion of this amount of imported silks was consumed by the well-to-do classes no one can state with exactness, but there is reason to believe that fifteen-sixteenths of the entire quantity of foreign silk goods brought into England is purchased by the rich non-producer, only an infinitesimal part being used by the workers in the shape of cheap ribbons, etc. Will anyone seriously assert that the working people of England would have been injured if a tariff on silks sufficient to protect the manufacturer had been maintained, thus preventing the extinction of a profitable industry? If so, they are referred to the experience of the United States, in which country, under a high protective tariff, an enormous silk spinning and weaving industry, surpassing in magnitude that of any other nation, has been built up. And concurrently with its upbuilding, it may be added, there has grown a taste among the American working people for silk fabrics, accompanied by the ability to gratify it, a phenomenon witnessed in no country where living is cheap and wages are low.

It is not necessary to go through the whole list of English imports to establish the fact that free trade inures more largely to the advantage of the non-producing classes than to the workers. Even in the matter of food products it is seen that a large proportion consists of articles chiefly consumed by the well-to-do. How many of the 13,244,893 great hundreds of eggs imported into England in 1896 were consumed by the working classes? Some, no doubt; but the major part were eaten by people who could easily have paid a slight advance in the price which a protective duty might have caused, and the sacrifice demanded of them could not have affected the masses, because the consumer of luxuries cannot shift the tax. How much of the 3,037,947 cwt.

of imported butter was consumed by English workingmen, and what quantity of the fine wines and spirits, the duties upon which are carefully countervailed by a domestic excise, falls to his lot? Is it not a mockery to say that the cheapness of these things benefits the British workingmen, especially when it can be so easily demonstrated that their free entrance is compelling the domestic producer to sell his products at a loss or go out of the business entirely?

Instead of Great Britain being a poor field for the operation of the protective system it is really one in which it might be made to work admirably. Unless it is assumed that the higher cost of such competing articles as are now imported into England duty free would have the effect of driving the well-to-do classes who absorb nine-tenths of the British revenues from trade, commerce and other sources to other lands, it must be admitted that working people would be the gainers by a resort to a policy which had for its object the shifting of the incidence of taxation so that the chief burden would fall upon those best able to bear it, and not upon workingmen whose wages are, by the pressure of competition, pressed to the subsistence limit.

Such a change of system would undoubtedly make England a dearer country for the well-to-do to live in, but it would make it a better country for the workingman, as it would permit the successful operation of the principle of labor organization within the area of the United Kingdom. That trades unionism cannot achieve its object unless there is a definite area in which it can enforce its rules without risk of outside interference ought to be apparent to the least critical. What profit can the workingmen of England derive from standing together if the rest of the world's workers are banded against them? If the unions of the United Kingdom combine to keep up the wages of labor and the result of their combination is to invite the foreign producer to send his wares to fill the demand which arises during the period while he is waging the conflict with his

employers, and if the foothold thus gained is permanently maintained, the English workingman must be a loser and not a gainer

This is an experience through which English workingmen have recently passed. It is admitted on every hand that the net result of the "engineers'" strike of 1897 was a positive loss to British industry inasmuch as there are decided indications that during the period while it was in progress foreign producers of machinery managed to successfully introduce their wares into the English home market, and in many instances succeeded in supplanting British machinery in markets where it formerly met with little or no rivalry. The London *Standard*, speaking of the results of the strike referred to, adduced evidence showing a considerable loss of the export trade of machinery, the Germans having taken advantage of the strike to invade markets once held by the English, and the editor incidentally remarked that "experience teaches that where German traders once gain a footing they never relinquish it." The *Pottery Gazette*, an English publication, discussing the effects of strikes on the British glass industry, declared that it had been ruined by the action of unions. "If it had not been for the blind policy of the men's societies," remarked the *Gazette*, "the pressed glass trade of the north of England would have found work for hundreds where it now employs units. When our pressed glass workers quarreled with their bread and cheese, orders for pressed goods went to Belgium and France, and they have gone there ever since." To this was added an inquiry which had the air of a prediction. "We have," said the writer, "had instances of great national industries being lost to us by the attitude of the workers in them. Is the glass trade to be added to them?"

The deduction that the *Pottery Gazette* drew from these circumstances and actions was that it is absurd for the English workingmen to involve themselves in contests which result in the destruction of the industry from which they



derive their livelihood. No matter what may be the bias of the writer, his judgment in this instance is unimpeachable. There can be no doubt whatever that English trades unionism will be powerless to prevent the impairment of the standard of comfort attained by the workers of Great Britain while the trade doors of the country are permitted to stand wide open. It is worse than folly for the unionists to resist reductions of wages made necessary by the competition of foreigners when the inevitable outcome of success would be the destruction of the industry in which they are engaged. As already remarked, labor organizations have the power to compel employers to surrender a larger proportion of their profits to the wage earner, but they cannot force capital to conduct enterprises at a loss. Therefore, when a strike is inaugurated in a free trade country which has for its object the preservation of the existing scale of wages it must prove unsuccessful if the strikers are engaged in the manufacture of an article which, owing to cheaper labor, can be produced more cheaply in other countries. In such cases the suspension of work by the strikers is the signal for the invasion of the country by the foreigner with his cheaper goods, and if the strikers are unyielding the result is permanent occupancy of the home market by the foreigner and the displacement of the native product.

It has been the dream of some trades unionists that an international combination of workingmen might be effected, but no sane person believes that this can be accomplished. The conditions vary so greatly in different nations it is inconceivable that a common agreement as to hours of labor and rates of wages could be reached. Moreover, there is an obstacle in the way of a desire for such agreement which is almost insuperable, namely, the feeling on the part of those who are backward in the race that is only by greater exertion that they can keep up with the march of progress. Perhaps the sentiment is not as well defined as this language would imply, but that the disposition to put

forth greater exertions exists in some countries where the quality of labor is rated lower than in England is notorious, and there is good reason to believe that it cannot easily be changed. It certainly will not be by such appeals as the English trades unionists send forth, which often take the form of an assurance to the competing foreign workingman that if he would fight fairly by asking as high wages and by insisting on working as few hours as the British workman the latter would deprive him of all opportunity to earn a living.

Lecky tells us that "the idea of an international regulation of labor has of late years spread widely. It has been proposed in several workingmen's congresses and in 1881 and again in 1889 the Swiss Federal Council invited the leading powers of Europe to join in a conference on the subject. The invitation was not warmly received, but in 1890 the Emperor of Germany took up the subject, and at his invitation the representatives of fourteen states assembled in Berlin. They soon decided that they could do no more than submit some very platonic recommendations to the public, without attempting in any way to enforce their decision or even bind the governments they represent." The conception of such an idea indicates the lengths to which men will go in the direction of making themselves absurd in their efforts to escape the consequences of methods which the world has tacitly agreed to accept and continue as the best that can be adopted to insure the progress of the human race. The desire to retain the competitive system, and the apprehension that state socialism might prove disastrous, caused men who can think clearly enough when other subjects are under consideration to imagine that an almost ineradicable sentiment could be overcome—that of nationality—and that peoples animated by different political aspirations and with totally different ideals of life could agree upon a proposition which involved the necessity of their

refraining from making sacrifices which might put them on a level with or give them a superiority over rivals.

In antiquity and in the days of chivalry the opposing combatants sometimes stepped forth from the ranks to do battle for their respective sides, both armies agreeing to abide by the result. Those days and manners have passed. Now when nations engage with each other, while the struggle rarely carries the combatants to the last ditch, it is usually maintained until one of them feels that he can gain no further advantage. So, too, in commercial warfare. The fight is always for advantage; and while it may be admitted that exchanges freely made represent a gratification of desire on both sides, there can be no doubt that each party to a trade seeks to make as much profit as he can out of the transaction.

In a large sense nations are animated by the same motive. The sentiment which we designate as patriotism is always strongest in those countries in which the national wealth is the symbol of power. This is natural. The land which affords the masses an opportunity to earn a living is worth struggling for. That which merely permits existence can never inspire the same feeling. The recognition of this fact is at the bottom of all intelligent struggles for national advantage. The free trader who endeavors to inculcate the belief that unrestrained commercial intercourse tends to the preservation of peace also teaches that it will increase the national wealth. It is impossible to believe that the policy he advocates would have many adherents if he failed to do so. The imagination cannot be fired by pointing out that the whole world will be equally benefited by pursuing a certain course. It is noteworthy that Cobden and his followers, while teaching that all mankind would profit by free trade, were careful to point out that Great Britain would be an enormous gainer and that her already swollen coffers would be filled to overflowing if other nations could be per-

sueded that their interests would be advanced by making England the world's workshop.

There is no escape from the logic of these facts; therefore, if mankind is indisposed to abandon the incentive to progress which competition is universally recognized to be, steps must be taken to regulate it. The chafing against the existing order, if carefully investigated, will be found to be largely due to a perception of the fact that the terms of the race are not fairly arranged. The element of fairness is never considered. The major part of those who enter the competition are heavily handicapped with disadvantages. These must be removed before discontent can be appeased. A lesson will have to be taken by statesmen from the race-course, where the owner of a horse of acknowledged superiority is only permitted to enter his animal on condition that he conforms to certain regulations designed to remove the disparities of contestants.

At bottom, this is the theory of the English trades unionists, but it does not work well in practice, because the field of contest chosen by Great Britain is the whole world, which refuses to be bound by the regulations that the British seek to prescribe. But the conditions are different in a protectionist country such as the United States. Behind the barrier of a protective tariff it is possible to so arrange matters that the competitive contest will be conducted on reasonably fair terms. If the trades organizations succeed in effecting combinations they are not menaced by the apprehension of the foreign competitor when they seek to carry their designs into execution. It would hardly be possible for the employers of a country with a high protective tariff to stand out against the just demands of workingmen. It is only the pressure of competition that forces employers to proceed to extremes, and when that from foreign countries is removed the incentive is reduced to a minimum. John Bright, in the letter quoted from in the beginning of this chapter, warned the Amer-

ican manufacturers that they would have trouble on this score. He told them plainly that "protection would not content itself with enriching manufacturers, but will be called in to give higher wages and shorter hours of labor to your (American) workmen."

So it has, and strange to say, although Mr. Bright chose to ignore the fact, it is on that ground that the American people support the protective policy. They doubtless recognize that manufacturers sometimes become rich, but they do not lose sight of the necessity of permitting his employés to earn a living wage, and to that end they encourage legislation which directly aims at the preservation of the freedom of labor. The alien contract labor laws were framed for the purpose of diminishing the fierceness of the struggle for work by depriving employers of the privilege of importing help from other lands at lower wages. The laws passed to prevent Chinese laborers entering the United States had the same motive and were enacted in response to the demand to exclude from competition with American labor a class of workers who are notoriously disinclined to raise their standard of living or to adopt customs which would put them on the same plane of expenditure as the worker in this country. And consistent with these regulations are those which practically exclude from the country, by compelling them to pay a high tariff for the privilege of entering our markets all goods produced by the classes who are shut out by the operation of our immigration laws.

The admitted effect of these laws and regulations is to keep up the real wages of American labor, and while protection is the national policy it will always be possible to confine competition within bounds which will make it fair to those obliged to compete. It is not contended here that the system has always worked perfectly in practice in the United States, but it is asserted that under it the workingman enjoys opportunities which free trade denies him. In short, the combinations of trades unions may be made

thoroughly effective in a protective country, but cannot possibly be made so where there is absolute freedom of intercourse between nations. If workingmen in the United States fail to reap the advantages described, deficient organization and not lack of opportunity must be held responsible. Protection in a country where the workingmen may be the chief factor in the making and administration of the laws is the means by which trades unionists can achieve their purpose of securing a fair share of the wealth produced by the laboring classes; such organizations in free trade countries are powerless to combat the logical results of unrestrained competition, which are to degrade all competing workers to a common level.

That the labor unions of the United States work immeasurably more effectively for the workingmen composing them than similar organizations in England, despite the better government and regulation of those of the latter country, is proved by a variety of circumstances. Lecky observes that "extraordinary development of labor-saving inventions in the United States is probably largely due to the great cost of American labor."\* In a country where wages are low the incentive to resort to labor-saving devices is never very strong and their use is always resisted, passively or actively, by the workers in low standard countries. It is a significant fact that in free trade England during recent years improvements in production by means of automatic machinery have been antagonized by the trades unions, while in the United States workingmen rarely oppose the introduction of labor-saving machinery. It is noteworthy that the feeling so prevalent in Europe that the tendency to improve methods of production more rapidly than effective distribution can be promoted is injurious to the workingmen is not widely diffused in this country—although the development of the resources of

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\*Lecky, *Democracy and Liberty*, Vol. II, p. 459.

the United States is proceeding at a pace which makes that of rival nations seem slow.

There can only be one explanation of this comparative apathy regarding automatic machinery, and that is that there is a feeling that in this country the masses have a chance of sharing in the benefits flowing from the rapid increase in the production of wealth. They realize that the protective system acts as a barrier against the encroachments of foreign labor, and they are confident that so long as they can restrict competition to an area in which all the competitors are on a common footing they can hold their own against the tendency to drive wages to the limit of subsistence. This sense of security accounts for the comparative weakness of the socialistic propaganda in the United States, a circumstance that has attracted the attention of observant foreign critics of American institutions. One of these recently remarked: "Certainly the plague of idleness and suffering exists even in America, but there is not to be found there that canny proletariat which the sociologists of this end of the nineteenth century declare to be one of the most marked characteristics of the period in the old world."\*

It is reasonably certain that the American workingmen, who, as this writer observes, are ready enough on occasion to enter upon the most obstinate of strikes, would not show the freedom from chronic discontent generally witnessed in the old world, in England as well as on the continent, if they did not feel assured that they were secured against the degrading effects of unrestrained competition. There must be some foundation for the assumption of Emil Levasseur, who, in his book on the American artisan, brings out the fact that "it is the workman who has gained most by the improvement of machinery" in the United States. On the

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\*Fiamingo, "Social Conditions in America," translated for Living Age from Nuova, Antologia, Rome, Italy.

other hand numerous English writers admit that the share of the British workers in the benefits flowing from labor-saving machinery is small compared with that enjoyed by those who really played no part in calling it into existence. There must be some explanation of this striking difference in results, and the only one suggested which seems at all satisfactory is that now advanced, that the protective system so intrenches the American workingman that through the instrumentality of trades unions he can compel the employer to recognize his right to a share in the profits derived from the use of labor-saving machinery and appliances.

It has often been urged by economists that the admittedly superior condition of the American workingman is due to the abundance of land in the United States. This view, however, is not tenable. The history of labor in this country demonstrates conclusively that it was most wretchedly remunerated when land was most easily obtained. In other places in this volume it has been shown that the poverty among the early settlers of Virginia and the other colonies was often extreme. That was the condition of affairs in the early part of the present century when millions of acres of the most fertile land under the sun could be had for the taking. During the administration which witnessed the outbreak of the American Civil War the then President sent a message to Congress in which he deplored the fact that trade and manufacturing industry were prostrated and that men were out of work and in great misery in the midst of great agricultural prosperity.\*

In the face of evidence of this kind it is idle to assert that the American workingman owes his ability to maintain a higher standard of comfort than the toilers of any other part of the globe ever succeeded in reaching to the abundance of free land. It is not denied that the facility with which transfers of land may be effected in the United

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\*Message of President James Buchanan.



States has tended to destroy the advantage which the accumulation of the land in the hands of a few affords, and thus prevented a condition of affairs such as that existing in England, where the greater part of the soil is monopolized by the few. But it is contended by protectionists that this dispersal of the land among the vast numbers of separate owners—there were 4,097,907 different proprietors of farming land in the United States in 1880, and the number increased to 4,564,641 in 1890—was only made possible by the protective system. Had free trade been adopted in this country there can hardly be any question but that it would have resulted in the creation of enormous farming estates upon which the opportunities for employment would have been reduced to a minimum. The separate ownership of millions of small farms in the United States is almost wholly due to the fact that the proximity of manufacturing centers has permitted their owners to earn more than a bare living.

Had we permitted foreign countries to supply our demand for manufactured articles the condition of the greater part of the country would have resembled that of those portions of the South wholly dependent upon the profits of cotton culture. Excessive competition has made this pursuit so unprofitable that the usual fate of the planter is to be in perpetual bondage. Is it at all likely that the grower of cereals would have been in much better case if the manufacturing industry of the United States had not been called into existence? Is it not plain to everyone that the enormous agricultural advances of the United States are due to the diversification of the pursuit compelled by the development of innumerable centers of manufacturing industry? And, therefore, is not agriculture the beneficiary of the protective system rather than manufactures? To say that the abundance of land is the cause of the prosperous condition of the American workingman is as idle as it would be to assert that the existence of a reclaimable desert is a blessing to

the country owning it. There are plenty of nations containing such possessions, but the ownership of them has not elevated the condition of the workers.

The United States contains large areas which are rapidly being brought under cultivation that were once regarded as desert. The application of water to these at one time unfertile regions is making them "blossom as the rose." The redemption which is being effected by the agency of water in these hitherto desert regions presents a close analogy to the result produced by protection in calling into use all of the available portions of our vast possessions. There are oases in all deserts and their soil may be made to produce liberally, but it requires water to redeem the dry parts. In the same way there might have been a sporadic development of the soil and resources of the United States had a policy repressive of manufacturing been encouraged, but it required the mighty stimulus of an enormous manufacturing industry to promote the cultivation of the whole of our immense national domain.

## CHAPTER XX.

### EQUALIZATION OF CONDITIONS.

#### THE IMPORTANT FUNCTION PERFORMED BY PROTECTIVE TARIFFS.

Two kinds of dearness—The high prices resulting from scarcity and those due to a higher standard of living—Cheapness responsible for trade depression in England—Smith's recommendation that the luxuries of the poor should be taxed—The incidence of British taxation—A protective tariff does not permanently raise the cost of the protected article to the consumer—American consumers enjoying low prices in the face of high duties—Effects of the protective tariff in compelling improvements in production—Consumption increases more rapidly in protective than in free trade countries—The free trade idea that protectionists aim to permanently increase prices—Trusts can only be effectually curbed under a protective system—A protective tariff necessary to prevent the transfer of industries to cheap labor countries—What the bounty system has done for Germany and the consumer of sugar—Protection as a regulator of production—The necessity of equalizing the conditions produced by the exemption of industries from taxation—The cost to the British taxpayer of forcing external trade—Enormous increase of naval expenditure with no corresponding increase of British trade—The income tax unjust and impolitic—The moot question whether the tariff is a tax.

In the preceding chapter evidence was adduced to show that there is no foundation for the assumption that the cheapening of commodities specially benefits the producing classes. It was also shown that in countries of relative dearness, such as the United States, the lot of the workingman is immeasurably better than it is in lands where cheapness prevails. In the further discussion of this subject it

will be well to emphasize the fact that dearness may be due to two different causes, or, to put it more plainly, there may be a dearness that results from scarcity or one due to the higher plane of living of the masses.

In countries where famine sometimes prevails the spectacle of starving multitudes may be witnessed, and yet a resort to the ordinary methods by which the general level of prices is ascertained will disclose a marvelous cheapness of all products except such as constitute the food of the masses. During the recent famine in India the price of most commodities and of personal service remained substantially the same. A comparison of the cost of living in India during the famine period with that in the United States would show that although millions were dying of hunger in the former country a man with a fixed income could purchase more of the necessaries of life than he could with a similar revenue in this country. In the United States it has been shown that great distress has at times existed in the midst of agricultural plenty and while the prices of food and other products were excessively low; and, on the other hand, general prosperity has been witnessed during eras of high prices for commodities and personal services. It may also be noted with profit that the condition of the English masses was much better during the period when the average of prices was higher than it is now. These facts make a serious breach in the cheap loaf argument and they have attracted much attention recently, and are causing thinking Englishmen to ask whether a blunder was not made in removing the duty from corn.

Lecky on this point remarks that "the political evil of narrowing the basis of taxation is a real one, and even in its purely economical aspects the reaction against the abuses of the old fiscal system seems to have been carried too far. It is not probable," he says, "that a single loaf of bread was made cheaper by the abolition in 1869 of the shilling registration duty on corn." In the same connection, speak-

ing of the abolition of the small duty on coal abolished by the London County Council, he tells us "there is no reason to believe that any human being except a few rich coal owners and middlemen derived any benefit from its abolition."\*

The question of the incidence of taxation here raised will be considered later. In this place attention is merely directed to the admission that the removal of a duty by no means always inures to the benefit of the productive consumer, but may be wholly absorbed by the middleman. That this result followed the abandonment of the protective policy in England can easily be demonstrated. Reference to the index numbers of Augustus Sauerbeck shows that the number for the period from 1843-52 was eighty-two, while that for the years 1864-72 was 102. Since 1872 there has been a steady decline, the number for 1885-94 being sixty-nine and that for the year 1894 sixty-three.

By general consent the period between 1850 and 1873 is regarded as the most prosperous in the history of British industry. Yet, according to the unimpeachable testimony of Sauerbeck, during the twenty-three years mentioned prices were constantly rising, the advance over those ruling in the final years of protection in England being nearly 20 per cent. During the progress of this upward movement there is no recorded protest or complaint of English workers. If the enhanced prices of the commodities he consumed affected him injuriously he was evidently unconscious of the fact. But, singularly enough, as soon as prices of commodities began to decline the toilers lifted up their voices. The loaf was certainly growing cheaper, but it was becoming more and more difficult to obtain the pennies with which to buy it.

About the middle of the decade 1880 the industrial trouble became so acute in England that a Royal Commis-

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\*Lecky, *Democracy and Liberty*, Vol. I, p. 159.

sion was appointed to ascertain the causes of the existing depression. It sat several years, gathered a vast quantity of evidence and made a report which may be dealt with elsewhere, but does not concern us here further than to observe that the dissidents on the main question, which was one affecting the standards of money, were agreed upon one thing, namely, that in some inscrutable fashion low prices of commodities were the cause of the depression. There was a marked difference of opinion as to what caused the low prices, but no member of the commission undertook to demonstrate that the British workingman was better off because he was able to buy such articles as he consumed at an average cost of twenty per cent less than he could during the decade beginning in 1870.\*

It is remarkable that most writers whose opinions conform to those of the Manchester school have deliberately ignored the lesson taught by this advance and recession of prices and the attendant circumstances. It is the more puzzling because the apostles whose theories they profess to reverence had plainly indicated that some such result as that told by the story of the index numbers and the researches of the Royal Commission must logically follow the adoption of a system of unrestrained competition and a resort to the fiscal methods advocated by Adam Smith, the avowed purpose of which was to make the toiler bear as large a part of the burden of taxation as could be safely imposed upon him. The evasion can only be explained by assuming that the brutal frankness which marked the discussion of economics in Smith's book could not be ventured upon in these days; therefore, writers influenced by the nineteenth century spirit which has, in discussion at least, compelled recognition of the rights of the worker, have deliberately avoided reference to the showing made before the Royal Commission, and have instead, endeavored to make the eighteenth century

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\*"Bimetallism or Monometallism," Young.

views of Doctor Smith harmonize with nineteenth century conditions. Had they honestly analyzed the evidence presented before the commission they would have seen how completely at variance recent experience is with teachings they are vainly seeking to symmetrize.

It is sheer hypocrisy to attempt to make the modern workingman believe that the man who is credited with the origination of the free trade idea was inspired by the desire to elevate the condition of the masses. Adam Smith lived in a period when the toiler was regarded as little better than a slave, and his economic ideas ran in a groove which prevented his looking forward to a better future for the free workingman than that of a perpetual bondsman. That this does not misrepresent Smith's attitude every careful student of the Scotchman's work will admit. Commenting on an opinion expressed by another cold-blooded theorist who thought that a workingman ought at least to be permitted to earn enough wages to bring up two children in order to propagate the species, Smith says: "The labor of an able-bodied slave, the same author adds, is computed to be worth double his maintenance; and that of the meanest laborer, he thinks, cannot be worth less than that of an able-bodied slave. Thus far at least it seems certain that in order to bring up a family the labor of the husband and wife together must, even in the lowest species of common labor, be able to earn something more than what is precisely necessary for their own maintenance; but in what proportion, whether in that above mentioned, or in any other, I shall not take upon me to determine."\*

The careless student of Smith may think that this refusal to determine whether the reward of a free worker in an industrial society should be greater than that of a slave is merely the result of inability to decide whether under any economic system it would be possible to elevate the condi-

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\*Smith, *Wealth of Nations*, Book I, Chap. VIII.

tion of the masses, but there are too many other passages showing the actual workings of the learned doctor's mind to permit anyone to labor long under the impression that he thought there should be other beneficiaries of the increase of the national wealth than the class to which he belonged. His strictures on the subject of trade combinations show the trend of his thought. "People of the same trade," he says, "seldom meet together even for merriment and diversion, but the conversation ends in a conspiracy against the public or in some contrivance to raise prices. It is impossible, indeed, to prevent such meetings by any law which could be executed or would be consistent with liberty and justice. But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblages, much less to render them necessary."\*

This was the view of trades unions accepted by the early Cobdenites. Bright and Cobden looked upon them just as Smith did. All attempts to resist the inevitable pressure of the workingman to the limit of subsistence which attends unrestrained competition was regarded as a conspiracy against the public welfare. Labor combination interfered with the operation of a law calculated to keep workingmen in a state of subjection; therefore the manufacturer in free trade England was heartily opposed to trades unions. It is sometimes assumed that this opposition was not purely selfish, but was due to the belief that only by the laboring classes consenting to fiercely compete with each other for the opportunity to earn a living could production be sufficiently stimulated to meet the growing wants of the human race. But this assumption is not borne out by the facts. A little research will show that the motives which induced the peace-loving Cobden and Bright to bitterly antagonize legislation preventing young children being

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\*Smith, *Wealth of Nations*, Book I, Chap. X.



worked to death in factories or to improve the sanitary condition of workshops were precisely the same as those which operated when England finally elected to adopt the system of taxation recommended by Adam Smith.

Let us gather from Smith's pages his views on the subject of taxation and his recommendations regarding its incidence. First let us consider his declaration that "the advanced price of such manufactures as are real necessaries of life, and are destined for the consumption of the poor, of coarse woolens, for example, must be compensated to the poor by a further advancement of their wages. The middling and superior ranks of people, if they understand their own interest, ought always to oppose all taxes upon the necessaries of life, as well as all direct taxes upon the wages of labor. The final payment of both one and the others falls altogether upon themselves, and always with a considerable overcharge."\*

Does this advice convey any other impression than the one we assert it does? Is it not addressed to the class to which Smith belonged, and does it not distinctly show that he was convinced that the effects of unrestrained competition would be to reduce the wages of labor to the limit of subsistence? On what other theory can his assertion that a tax on the workingman's necessaries must be borne by the superior class be explained? The argument designed to show that the workingman has some luxuries which can be reached by the tax gatherer does not impair the force of Smith's conclusion, for he makes it clear that the luxuries of the workingman which he has in mind are mainly what we would today call necessaries. "By necessities I understand," says Smith, "not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without."†

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\*Smith, *Wealth of Nations*, Book V, Chap. II.

†*Ibid*, Book V, Chap. II.

Therefore, if in the eager struggle for life in England the workingman consents to a reduction of wages which will compel his class to abandon the use of any of the things he now considers indispensable to a comfortable existence the things abandoned or unattainable cease to be necessities. If we conceive of the British workingman, under the pressure of foreign competition, foregoing the use of shoes made of leather Smith's definition would oblige us to regard leather shoes as a luxury. If the pressure were great enough to largely increase the number of bare backs to which reference is made by Carlyle shirts would have to be put in the same category, for general disuse of such articles of raiment would render it decent for people to live without them. Finally, it may be assumed that if no resistance were offered by the workingman his condition would become the same as that of the slave who enjoys no luxury except by permission of his master or by theft.

When these facts are considered we are appalled by the selfishness of the suggestion that it is a duty which the superior and middling classes owe to themselves to take care to attack by taxation what little a workingman may, by fortuitous circumstances, gain beyond his mere subsistence. This is what Smith deliberately does. "It must always be remembered," he says, "that it is the luxurious and not the necessary expense of the inferior ranks of people that ought ever to be taxed. The final payment of any tax upon their necessary expense would fall altogether upon the superior ranks of people, upon the smaller portion of the annual produce and not the greater. Such a tax must in all cases either raise the wages of labor or lessen the demand for it."\*

The superior and middling ranks in England since 1848 have consistently followed this advice. It took nearly three-quarters of a century for the beneficiaries of the system

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\*Smith, *Wealth of Nations*, Book V, Chap. II.

to convince the masses that the policy of excusing the rich consumer from taxation was to their interest, but the difficult task was finally accomplished by dangling the cheap loaf before the eyes of the workingman. Since that time things consumed by the poorer classes which Smith's elastic definitions make luxuries are made to bear half of the burden of English taxation, and as he tells us positively that "taxes upon such consumable goods as are articles of luxury are all finally paid by the consumer," we have presented to us the extraordinary spectacle of that ninety per cent of the population, which enjoys only ten per cent of all the revenues of the United Kingdom, paying a greater proportion of the taxes than the one-tenth who manage to secure nine-tenths of all the revenues.

The injustice of such a system is not only disguised by the free trader, but, singularly enough, by disregarding the teachings of the apostle he professes to reverence he has managed to make the weak of intellect believe that a tax on the necessaries of life can be extracted from the working classes. One of the most widely employed arguments of the free trader in the United States is that the tariff on the commoner articles consumed by the working classes inflicts a peculiar hardship on them. No free trader, however, seems to be conscious of the fact that in making a contention of this kind he is flying in the face of Smith's axiom that "whatever raises the prices of necessary articles of subsistence must necessarily raise wages." And rarely do we find one with sufficient perception to discover the cause of the admittedly superior condition of the American workingman in the fact that the tariff system of the United States is so constructed that the burden falls upon those classes best able to bear it.

Before the repeal of the English corn laws the duties in Great Britain were so regulated that the rich man was compelled to pay for the privilege of using foreign luxuries. Smith tells us that in his day "the duties upon foreign lux-

uries imported for home consumption, though they sometimes fell upon the poor, fell principally upon people of middling or more than middling fortune."\* This continued to be the case in England until some years after the British had become indoctrinated with the idea that free trade was the source of all their prosperity, when advantage was taken of the erroneous impression to remove the duty from the major part of the articles which might fairly be characterized as the luxuries of the rich and shifted to those things which were mainly consumed by the poor and could only be regarded as luxuries under a strained definition, such as that furnished by Smith, which excludes from the list of necessities everything that is not absolutely indispensable to the propagation of the species.

The evil effects of the change were not at first noticed by the British masses. They permitted themselves to share the common belief that the great prosperity of the United Kingdom was due to the removal of the corn duties, when, in fact, it was owing, as is now clearly recognized by many economists and publicists, to the practical monopoly of manufactures which Great Britain enjoyed for several years after the free trade innovation. As soon, however, as this advantage was neutralized by the adoption of protective tariffs by foreign countries it began to be noted that while the national wealth of Great Britain had enormously increased there was no diminution of the number of unemployed, and that the ranks of the submerged class were continually being recruited by displaced workingmen and by toilers who, after eking out a precarious existence, harassed during the most of their lives by the fear of being unable to obtain work, were at last compelled to take refuge in the workhouse or accept what the British euphemistically term outdoor relief.

It is a feature of economics that while an evil may be plainly recognized by many, and its existence is generally

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\*Smith, *Wealth of Nations*, Book I, Chap. VIII.

felt, it is nearly impossible for those suffering most to arrive at an agreement respecting the cause. This difficulty has been intensified in England by the propensity of the school writers who are attempting to perpetuate the views of Cobden to substitute theory for fact. With glittering phrases they confuse the vulgar mind and then in turn become confused themselves. They tell the English workingman of the benefits of the cheap loaf, and when the toiler points to a country where the loaf is nominally high but the laborer is infinitely more prosperous they tell him that the prosperity he sees is due to the abundance of land. Inconsistently enough, after having demonstrated to their own satisfaction that the superior condition of the American workingman is assignable to that cause, they proceed to show that the admitted prosperity does not actually exist and that the high wages of American workingmen are merely nominal; that owing to the operation of the high protective tariff the lower paid labor of England and other foreign countries is really better rewarded than that of the United States.

It would seem impossible for rational writers to argue that the workingmen of the United States are infinitely more prosperous than those of any other country and at the same time assert that they are worse off than the English and other foreign workers because prices are higher in America than in Europe, but the exigencies of the discussion demand that they should do so. Adam Smith wrote "that every tax is to the person who pays it a badge not of slavery, but of liberty,"\* because it denotes that the person paying it is, although a subject to government, as he has some property he cannot be the property of a master. Disregarding this truism, Cobdenites diligently seek to make all taxation odious. Instead of teaching that in a country where the Government exists by the voluntary consent of the governed taxation is merely a device by which funds are

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\*Smith, *Wealth of Nations*, Book I, Chap. VIII.

raised for keeping in motion the machinery of society, they invent shibboleths which are designed to confuse the minds of the thoughtless and divert attention from the incidence of taxation.

In the United States the phrase "the tariff is a tax" has been cunningly employed by free traders to obscure the vital question, which is: Upon whom does the tax fall? Utterly disregarding the teachings of the economists of their own school, they have sought to create the impression in the mind of the workingman that the imposition of a tariff on the articles of necessity consumed by him is a grievous burden. We have seen that Smith teaches that "whatever raises the average price of necessaries must necessarily raise wages." This ought to conclusively dispose of the contention that the American workingman could be injured if the effect of a tariff on the necessaries consumed by him was to really raise the price of the articles consumed, but, as a matter of fact, a protective tariff does not operate, except temporarily, in the manner indicated by the free trader.

The question whether a high rate of duty is beneficial or otherwise to the workingman can only be determined by ascertaining whether the money derived from its imposition is properly applied, how much of it he is called upon to pay, and his ability to bear his part of the burden without being forced to the limit of subsistence. To the workingman who takes these things into consideration the shibboleth "the tariff is a tax" has no terrors. If he asks, and is answered in the affirmative, that the money raised by the tariff tax is to be applied to securing a proper administration of the Government he will conclude that a system which does not bring him in personal contact with the taxgatherer is, on the whole, more desirable than any other. If he pursues his investigations further and discovers, as he will undoubtedly, if he examines the details of the imports under an American tariff, that by far the largest part of the articles

brought into the country from foreign lands upon which a protective duty is laid are consumed by the rich, he will conclude, following the idea of Adam Smith, that as "taxes upon such consumable goods as are articles of luxury are all finally paid by the consumer," the adjustment of the burden is a fair one. Finally he will determine that a protective tariff does not really touch him closely because under no circumstances does it have the effect described by the free trader of permanently raising the price of goods to the consumer.

That in the initial stages of the protection of any particular article or class of articles the effect must be to raise the price goes without saying. If the conditions were such that the thing protected could be as cheaply produced as in the country it was imported from there would be no demand for protection. The failure to recognize the fact that the condition which existed when the protective duty was first imposed may be completely changed by the act of protection is responsible for the grotesque blunder into which most free traders have fallen of assuming that the existence of a paragraph in a tariff schedule must necessarily affect the price of such articles in the protected country. That the imposition of a duty may raise the price of the imported article in the country in which it is consumed is not denied. That it almost invariably does so in the beginning is freely admitted. That it ceases to do more than guard against the breaking down of the home market, in the manner described by Jeans, after an industry has been thoroughly developed in a country of great resources, such as the United States, is easily demonstrable, and the evidence to support the demonstration may be wholly drawn from British sources.

Let us take the history of the iron industry in the United States and see what light it throws on this phase of the discussion. It is not necessary to sketch in detail the ups and downs which attended its development; here we only

need refer to the fact that when a really effective tariff was first imposed on iron and steel its result was undoubtedly to increase the price of those articles to the American consumer, although this admission must be modified by a reference to the figures of production, consumption and prices presented elsewhere, which show conclusively that when Great Britain enjoyed a practical monopoly of this particular industry an increased demand from the United States was always a signal for an advance in prices, such advances amounting to over 100 per cent in brisk years as compared with dull ones.\*

But disregarding this testimony and confining ourselves to such a showing as a comparison of the price lists of England and the United States affords, we find that for several years the range of prices was higher in the protected than in the free trade country. But this significant fact must be noted, that the difference in the price after the American industry was once firmly established ceased to be as great as the rate of the protective duty, and that it kept diminishing in something like the same ratio as the progress of iron manufacture, until finally, in the case of many articles, notably pigiron and rails, there ceased to be any margin of enhancement of price which could be attributed to the duty.

This statement is indisputable, because it is supported by an overwhelming array of admissions from English authorities and by price lists and comments of the trades journals of Great Britain and the United States. From the former a few excerpts will show how great is the change in conditions between the time when duties were imposed to call the iron industry into existence and to-day, when they are maintained merely to assure to American manufacturers the retention of the home market by making impossible the inroads of foreign syndicates desirous of dumping their surplus products on us so as to relieve their own market

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\*See Chap. VIII.



from the effects of the disturbance caused by overproduction.

A paragraph from a recent number of the *London Iron and Coal Trades Review* epitomizes the situation in the American iron industry admirably. The writer says: "It is, perhaps, only natural that in view of the much higher wages that they have to pay their workmen the American iron and steel manufacturers should desire to have a certain measure of protection against an invasion of the products of countries which, like Germany, cost little more than one-third of the amount expended in the item of labor. But even this is not the full extent of the difference, for Mr. Stirling also informed the Tariff Committee that at the Joliet Steel Works—one of the chief works carried on by the Illinois Steel Company—it requires  $4\frac{3}{4}$  tons of raw material to produce a ton of steel rails, and these raw materials had to be hauled an average of 412 miles, at an average rate of 8s  $4\frac{1}{2}$ d per ton for freight, or, taking the freight of the whole quantity, it amounted to 39s 8d per ton of steel rails. And yet the American works are now, or were quite recently, selling steel rails at about £4 10s per ton. English steel manufacturers are entitled to ask how it is done. Will some American manufacturer kindly supply the needed light?"\* In another issue the journal quoted from above said: "Pittsburg iron and steel makers do not enjoy much advantage over our own so far as the cost of iron ores is concerned owing to the greater distance over which the ores have to be transported. Speaking generally, the cost of producing a ton of Bessemer or hematite iron today will only amount to about 37s 6d at Pittsburg, against 49s 6d in Great Britain (in the Cleveland district—on the west coast the cost will be several shillings more), 52s 3d in Westphalia, 53s in Belgium, and 57s 9d in France."

To this evidence we may add some extracts from a

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\**Iron and Coal Trades Review*, London, June, 1898.

*resume* of the condition of the iron and steel industry in the United States in 1897, based on statements made in an interview with a veteran manufacturer, who briefly reviewed the progress of the past few years in this particular field. "Steel rails," said the speaker, "were first turned out in this country in 1867 and brought \$160 a ton. In less than six years the cost was scaled down to \$90 a ton, one mill producing 30,000 tons a year. The producing capacity was further augmented until 50,000 tons had been reached in one year, which figure at the time was considered marvelous. At the present time there are mills that can roll more rails in a month than any one mill in this country could produce in a year a quarter of a century ago, and that, too, with the aid of much less help. Less than one-third of the number of workmen are now required for a given output of rails than were needed twenty years ago." These figures are supplemented by others which show that in 1871 the duty on steel rails amounted to \$28 a ton and the average price per ton was \$102.50. "When it is stated that steel rails sold for export last year (1897) at \$16 per ton the extent of the transition is at once obvious." The commentator then goes on to explain that "a number of factors have combined to bring about these changes. Chief among them may be mentioned the cheapened rates of transportation, low priced ore and improved methods of production in the form of mechanical devices which have replaced hand labor."\*

Before proceeding to answer the question which this condition of affairs has induced the free trader to ask it may be well to revert to a statement made by Rogers in the hey-day of British manufacturing prosperity: "Protection," he said, "suppresses all kinds of improvements, and, indeed, it does not appear that the phenomenon of sudden vast and permanent progress has ever been witnessed in economic history except during the latter half of the eighteenth cen-

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\*Bradstreet's, February 26, 1898.

ture in England.”\* With the latter part of the statement we shall not deal here, but a writer advocating an economic system whose underlying purpose is the elimination of waste in processes of production cannot avoid calling attention to Professor Rogers’ absurd misapprehension of the workings of a policy which other thinkers have acknowledged virtually compels improvement. The history of the iron and steel industry in the United States demonstrates that protection stimulates improvement in every possible direction, in the creation of labor-saving devices, in the bettering of methods of transportation and in other ways too numerous to mention here, but the effects of which are so obvious that the shifty free trader, forgetting his original prediction that a high tariff would necessarily result in preventing improvement and repressing development, has gone to the other extreme and urges that the undue stimulus of high tariffs is responsible for overproduction.

It would be a waste of words to dwell at length on the inconsistency involved in these opposing contentions, but it may not be amiss to call attention to the fact that it is now recognized that production can be more effectually regulated within the restricted area of a country with a protective tariff than in one dependent upon the whole world for a market. The secretary of the British Iron and Steel Institute has freely admitted this to be the case,† but if he had not done so there is abundant evidence showing that England at a time when the world’s consumption of iron was much less than it is at present was frequently overstocked with that article to such an extent as to break the market. It was developed during an inquiry made by a British Royal Commission into the causes of depression in England that in 1884 the carryover stock of pig iron was 1,809,947 tons, an in-

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\*Rogers, Article “Free Trade,” Ency. Brit.

†Jeans, Supremacy in the Iron Market, Engineering Magazine, December, 1897.

crease of nearly eighty per cent over the surplus of 1879.\* The writer calling attention to this fact also dwelt on the excessive overproduction of ships, saying that the consequences were "seen in the laying up of vessels for want of cargoes; in the heavy fall of dividends on shipping shares and cessation in some cases; in excessively low freights; in the distress of our shipping ports, where 59,200 persons were at work last year (1885) instead of 94,700 as in 1883; and in the want of employment for our immense riverside population in the metropolis generally."

It would be idle in the face of such evidence to attribute to the free trade system a virtue it does not possess or to assume that unrestricted trade intercourse must necessarily have the effect of increasing the consumptive ability of the world to such an extent that overproduction would be impossible. There is no fact better assured than that consumption is on a much more restricted scale in countries where no attempt is made to levy protective duties than in those where the policy of protection prevails; therefore, it is absurd to claim that there would have been a larger demand for iron and other commodities if free trade had prevailed, and that consequently there would always have been an effective demand for all the iron and other articles that could be manufactured under that system.

As has been fully demonstrated elsewhere, overproduction is chiefly due to the rapid improvement of processes of manufacture, tillage and transportation and the failure of the existing methods of distribution to adjust themselves to the changed circumstances. The working classes have not been permitted to enjoy their full share of the advantages derived from new inventions, and, therefore, cannot furnish sufficient patronage to effectively consume the increased production. If the man in the enjoyment of an income of a

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\*Goodby, prize essay on the Causes of Depression, London, 1885. Pears.

hundred thousand dollars annually could be supplanted by a hundred men earning a thousand dollars each there would be a remarkable change in this particular. There might be a diminution of the demand for certain very costly luxuries, but the necessities of a hundred persons with an annual income of a thousand dollars each would increase the demand for staple commodities a hundredfold, or very nearly in that proportion.

Until such a change in distribution is effected a necessity for the intervention of a protective tariff will exist. Mr. Jeans, who has furnished an admirable reason for the retention of the protective policy by pointing out that manufacturers invariably seek to avert the consequences of overproduction by dumping their surplus upon foreign countries in order to preserve prices in the home market, ignores his own argument when he, parrot like, repeats the stale contention of the Cobdenites that "protection does not protect." He tells his readers that "American practice has confounded the wisdom of those who have hitherto argued that nominally cheap labor is needed to secure an absolutely cheap product," and that "it has equally upset the old-fashioned ideas about the effect of protection favoring the producer at the expense of the consumer. No doubt," he says, "under ordinary circumstances and in the infancy of an industry this result happens. It may also happen, and remain, after an industry has been fully developed when the conditions are not favorable to cheap production as a result of internecine competition. It has happened, also, and will probably happen again as the result of artificial interference with the free play of competition between the works established in the country whose industries are supposed to be protected. But over a wide range of industrial operations protection does not protect, and this paradox was never more clearly apparent than in the existing condition of the American industry. For that industry at least the United States require the shackles of protec-

tion no longer. I am disposed to doubt," he adds, "whether the same remark is equally true of European countries."\*

An analysis of this expression of opinion discloses how differently the policy of protection is regarded by English free trade writers and American protectionists. The latter assume that if the effects of the system are such as those described by Jeans; if protection results in creating a great industry and does not favor the producer at the expense of the consumer, it has performed all that may be reasonably expected of it. But Mr. Jeans approaches the subject from another standpoint. He accepts as true the absurd charge that the protective tariff in the United States is wholly due to the machinations of manufacturers and that its sole purpose is to raise the price of goods so that they may benefit, and when, after investigation, he discovers that domestic competition has operated to reduce prices to a lower level than those of free trade England he remarks "over a wide range of industrial operations protection does not protect."

But, as we have pointed out, elsewhere in this article he distinctly proves that protection does protect even under the circumstances he indicates, for the tariff enables the American manufacturer to hold the home market and thus permits him to give his employes better wages and more regular employment than is possible in countries like England, where the territory of the iron workers may be invaded at any time by the producers of other countries when they wish to relieve themselves of a surplus without affecting prices in their own markets.

Mr. Jeans, clever as he is, is not exempt from the common blunder of the Manchester school. He attributes objects and motives to protectionists of which they are wholly innocent. Doubtless the purpose of the manufacturer who appears before a Congressional Committee and makes repre-

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\*Jeans, Supremacy in the Iron Market, Engineering Magazine, December, 1897.

sentations to influence the placing of a protective duty on some particular article is to enable him to produce and sell the thing protected at a price which will permit him to make a profit. But that the country deliberately proposed at any time to make products dear so as to benefit the manufacturer at the expense of the consumer is an absurdity that could only suggest itself to a mind saturated with the errors of Cobdenism.

There is nothing clearer than the fact that intelligent American protectionists always looked forward to the result to which Mr. Jeans refers. They foresaw that internal competition would effectually reduce the prices of all staple commodities. They had no doubt about the extent of the resources of the country and its future growth. It is a matter of record that many able protectionists predicted what has since come to pass, that one day the United States, as a result of the stimulus to home industries, would produce and consume more of the great staples than the whole world did at the time they made their prophecies. There were some who were even rash enough to predict that the United States would, if all her resources were called into play, surpass in the magnitude of her manufacturing enterprises the nation which, at the time the predictions were made, was unquestionably supreme in industry. How well these prophecies were fulfilled may be inferred from the fact that in 1840 the products of manufactures of the whole world were valued at only £1,215,000,000, while in 1894 the values of the manufactured products of the United States alone aggregated £1,952,000,000.\*

If with a production of this magnitude the consumers of the United States are compelled to pay high prices the fact cannot be attributed to the operation of the protective tariff, but rather to the tendency of capital to combine and to abuse the advantages derived from combination. There is not the

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\*Mulhall, *Industries and Wealth of Nations*, 1896.

slightest reason to believe that this tendency would be abated if our ports were thrown wide open to foreigners. Experience has demonstrated that combinations for the purpose of controlling the industries of several countries can be formed as easily as within a restricted area. On the very day this paragraph was written a dispatch was published in the American papers which contained an item from the *St. James Gazette* of London detailing the formation of an Anglo-American needle trust. "It is reported on the Stock Exchange," said the dispatch, "that an Anglo-American trust to control the output and sale of sewing machine, knitting machine and all other kinds of needles is being formed. Several American and Midland firms are reported to have sold their business to the combination. The capital, it is further announced, will be \$7,500,000."\*

No one familiar with the subject will doubt the feasibility of the project, and it is not probable that anyone will venture to assert that there is anything in the principle of *laissez faire* opposed to such combinations. On the contrary, Rogers and other free traders distinctly affirm that they are beneficial inasmuch as they reduce the cost of producing by saving unnecessary expenditures in various ways, and that any attempts on the part of the promoters to take advantage of the situation produced by an agreement to combine would result in calling into existence fresh rivals.

The fallacy of this argument has been exposed in the chapter on trusts; here the purpose is to direct attention to the fact that protectionists have in their hands a weapon which may be employed against combinations whenever they menace the public welfare. Their adherence to the belief that it is wise to prevent unrestricted competition makes the advocates of protection ready to resort to the remedy of control. The method of most effectually accomplishing this result has not yet been hit upon, but that it will be found no

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\*Associated Press Cable Dispatch to American Press, Aug. 30, 1898.



one who knows that the underlying motive of American protectionists is to defend the working producer from the aggressions of capital, whether foreign or domestic, will for a moment doubt. It is possible that more stringent regulations of immigration may be necessary so as to prevent the importation of contract laborers; or the course adopted by Canada of denying protection to any article the manufacture of which is monopolized by a combination may be imitated; or some scheme of graduated taxation may be devised to effect this object, but that the evil will finally be effectually controlled is certain.

It was the conviction that it would be impossible for a people with an insufficient capital to successfully compete with the established manufacturing industries of wealthy countries and not hostility to the principle of competition that led Americans to adopt the protective policy. In order to create a domestic manufacturing industry the American people cheerfully made sacrifices. They willingly paid the higher prices demanded for the home product because they believed that ultimately the enlargement of the sphere of operations and other causes would make the cost of production as low in this as in other countries. A people with enough foresight to anticipate such an outcome can be depended upon to discover a way out of the difficulties raised by the combination of capital.

That a remedy against the encroachment of trusts can only be worked out within the lines of the protective system seems plain to all those ready to concede that there is a foundation for Rogers' assumption that unrestricted competition may degenerate into combination which will ultimately stifle true competition. If there is an increase of the tendency of capital to seek investment where it can most profitably be employed, which has exhibited itself so significantly in England, western nations will be compelled to raise the barriers of protection to save themselves from the disasters which must follow.

Instances of the transfer of British industries to continental countries where labor can be more cheaply obtained are numerous. The successful results of such operations have not passed unnoted by the eager promoter, who sees in the Orient a still better field for the employment of surplus capital. A few years ago an American Minister to Japan, in a widely published interview, the purpose of which seemed to be the setting at rest, of American fears of Oriental competition, pointed out that the cheap labor of Japan offered a field for the employment of the surplus capital of the United States, and he semi-officially suggested the advisability of looking over the ground to see whether manufactories might not be profitably established in the island empire which would eventually furnish cheaper manufactured articles than could be supplied by the more expensively conducted establishments of this country.\*

It hardly needed such a suggestion, for capital is alert to take advantage of opportunities as rapidly as they present themselves. It scarcely requires an assurance of success; a promise often serves equally well, as the experience of England in dealing with Argentina and other countries amply demonstrates. The formation of joint stock companies is so easy a matter in modern times it would be phenomenal if promoters did not take advantage of the circumstance to float concerns to exploit the cheap labor of the Orient. Imagine the glittering prospectuses the ingenious promoter may put before people disposed to invest in what are known as "industrials" by drawing on the official reports of directors of cotton spinning and weaving factories in Japan which show that dividends as high as twenty-eight per cent, and none lower than eight per cent, are declared by Japanese joint stock companies.†

Evidence that a crusade of this kind has already begun

\*Dun, appointed by Grover Cleveland.

†British Consular Report on Trade at Hiogo, 1896.

is multiplying. Intimations of the intentions of the shrewd Japanese to enter the foreign loan markets are frequent. The Yokohama *Yorosu*, in August, 1898, stated that "two schemes for the introduction of foreign capital were about to be inaugurated. One involving an amount of 10,000,000 yen to be borrowed by the Nippon Yusen Kaisha; the other aims at securing 10,000,000 yen in Germany with the idea of distributing it to various railway and commercial and industrial companies. \* \* \* The Japanese Government is said to be behind both schemes."\*

There is no doubt these appeals will meet with success, nor that they will be supplemented by projects looking to the creation of manufacturing and other industries in China, where, in the near future, the opportunities for the establishment of such enterprises will be much more numerous and promise greater profits. That manufacturing industries of all kinds can be successfully carried on in China as in Japan every one familiar with the subject testifies. The Chinese are apt, industrious and work for fabulously low wages. If skilfully managed, it is believed by English, American, German, and other consular agents who have carefully studied the situation that Chinese textile factories can be operated at a cost which will make competition with their products absolutely impossible.†

That the successful prosecution of the manufacture under modern conditions of textile fabrics and other articles by Oriental workers will force the wages of the western operative to the Chinese level in all countries where no restraint is placed on importations is believed by all competent observers. It is sometimes urged that the contingency is too remote to be contemplated, because of the assumed necessity of meeting the Oriental home demand, which

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\*Vancouver, B. C., dispatch to American Press, August 31, 1898.

†See evidence grouped in U. S. Senate docket, No. 31, Fifty-fourth Congress, First Session.

would be enormous if the per capita consumption of manufactured articles were on the same scale as in Western countries. But this method of reasoning is fallacious, as it ignores the possibility of an industry being carried on solely or largely for export purposes. It is a well-known fact that wheat is grown in many parts of Russia where the producers live wholly on black bread; in Germany and other continental countries the production of beet sugar has been carried on chiefly for export purposes, the domestic consumption being comparatively small and not increasing in proportion to the output; even England furnishes abundant instances of the tendency to manufacture to meet the wants of other peoples in entire disregard of the domestic demand, or rather the lack of it.

Under the circumstances, it is carrying optimism to excess to assume that the danger is remote and that we need not fear evil results from Oriental competition until the 400,000,000 Chinese and the other millions in Asia are able to manufacture on a sufficiently large scale to supply their own wants. Long before that time, unless steps are taken to prevent such a calamity, the surplus capital of Europe and the United States will be exploiting these fields of cheap labor and forcing their products on those nations which have not the sagacity to defend their own people from a competition which must inevitably, if persevered in, reduce all those who take part in it to a common level.

The tariff on competitive articles would require no other justification for its permanent continuance than the necessity of warding off this contingency, but additional and stronger reasons may be cited for its retention. The chief of these is that the phenomenal development of manufacturing throughout the world, and the extraordinary efforts made by different nations to increase production and extend their trade, has made a system designed to remove inequalities imperatively necessary. The Cobdenites vainly complain of the effects of the undue stimulus given to pro-

duction by bounties and objects to the methods adopted by rival countries to create transportation facilities, but the nations resorting to such devices are not likely to be swerved from their course by a consideration of elaborate theories which cannot be made to harmonize with the results of every day practice, or by the pleading of Governments who see their dependencies suffering from the artificially promoted competition, but are unwilling to make a change in their own polity to cure the evil.

It is in the highest degree improbable that the Germans will ever be induced by English representations or entreaties to remove the export bounty on sugar. So long as its effect is to stimulate German production that country will pay no attention to outside sentiment. "When the last attempt was made to get rid of foreign sugar bounties nearly every trades union in Great Britain petitioned in favor of the bill for ratifying the convention."\* Emperor William and his advisers were doubtless much affected by this display of unselfishness by men whose shibboleth for years has been "cheapness" objecting to cheap sugar, but they would hardly on that account abandon a system that has the effect of increasing production and consumption and which incidentally permits the owners of agricultural land in Germany to diversify their occupation, and, above all things, enlarges the opportunities of the German worker to obtain profitable employment.

It is possible that Germany may some day remove the export bounty from sugar, but she will never do so because the system has proved injurious. The evidence all points to a contrary effect. According to Mulhall "the average consumption of sugar in Germany in 1888-90 was eighteen pounds yearly per inhabitant, and is at present (1898) thirty pounds, which is evidence that the people are better fed than they were seven years ago. At the same

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\*Williams, "My Critics," *New Review*, November, 1896.

time," he adds, "the industry is so thriving that the bounty on exportation has been reduced from \$45 to \$5 per ton. Germany now produces forty per cent of the beet sugar made in Europe, as compared with thirty per cent in 1876."\*

Surely there is nothing in this testimony to suggest that the bounty system operates injuriously in the country in which it is practiced. Other countries that have resorted to the system have met with an experience similar to Germany. We are informed that "Sweden in a few years has almost ceased to import sugar, raw or refined, although five years ago her population depended upon foreign supplies. By imposing a high customs duty on foreign sugars a domestic beet sugar industry has been built up sufficient to supply the home market, and it is believed will soon be sufficient for export."†

Whatever may be the result to the rest of the world it cannot be said that Sweden will suffer from her efforts to add to the productiveness of her territory by promoting the culture of beet sugar. It is sometimes rashly assumed that the countries resorting to bounties would profit more by abstention from such efforts, the theory being that capital and energy are diverted from more profitable pursuits. But this has been shown to be an entirely baseless assumption growing out of the fundamental error of economists who have taught that the supply of capital available for the development of resources is so limited that the devotion of a portion of it to the artificial promotion of an industry necessarily means the diversion from natural pursuits of a proportionate amount and a consequent injury. But it can hardly be said that the capital required to expand the German beet sugar industry from a production of 360,000 tons in 1876 to 1,620,000 tons in 1896 was at the expense of the pursuits which might have proved more profitable, for there is no fact better

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\*Mulhall, *Industrial Advances in Germany*, North American Review, January, 1898.

†Ford, *Commercial Superiority of the United States*, North American Review, January, 1898.

established than that during the entire period of this phenomenal expansion of the beet sugar industry in Germany there was a plethora of German capital which offered itself to any industry that promised a profit.

It is not astonishing that these modern experiments in the direction of promoting productivity should have been inaugurated, for Great Britain set the example which other nations are now imitating with profit. Singularly enough, while free traders attempt to create the impression that bounties and subventions are pernicious, the father of political economy eulogizes the sagacity of his countrymen in resorting to a policy which resulted in making England mistress of the seas. Adam Smith says: "It is not impossible that some of the regulations of this famous (Navigation) Act may have proceeded from national animosity. They are as wise, however, as if they had all been detected by the most deliberate wisdom."\* It has been attempted to minimize the force of this declaration by pointing out that Smith had the national defense in mind. His assertion that "the defense of Great Britain depends very much upon the number of its sailors and shipping. The act of navigation, therefore, very properly, endeavors to give the sailors and shipping of Great Britain a monopoly of the trade of their own country, in some cases of absolute prohibitions, and in others by heavy burdens upon the shipping of foreign countries,"† is quoted to support this view, and an additional saying, "as defense is of more importance than opulence the act of navigation is, perhaps, the wisest of all commercial regulations of England," is relied upon to clinch it. But there are too many other admissions in the pages of "The Wealth of Nations" to admit of a doubt that Adam Smith did not regard a bounty as objectionable if its result was to stimulate production and thus lower prices.

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\*Smith, *Wealth of Nations*, Book IV, Chap. I.

†*Ibid.* 33

That any expressions of opposition to the payment of bounties which may be found in Smith's writings are due to a belief that a resort to the system would result in dearness rather than cheapness is shown in many passages. In one place he tells us that "in many parts of Scotland, during certain seasons of the year, herrings make no inconsiderable part of the food of the common people. A bounty which tended to lower their price in the home market might contribute a good deal to the relief of a great number of our fellow subjects whose circumstances are by no means affluent."\* In the same connection he says: "If any particular manufacture was necessary for the defense of the society it might not always be prudent to depend upon our neighbors for the supply; and if such manufacture could not otherwise be supported at home it might not be unreasonable that all other branches of industry should be taxed in order to support it."†

From expressions such as these we may readily infer that Smith did not regard bounties with the horror which his followers affect. And when we find him saying "the plentiful supply of the home market was not the direct object of these statutes (bounty); but under the pretense of encouraging agriculture, to raise the money price of corn as high as possible, and thereby to occasion, as much as possible, a constant dearth in the home market," we have a right to assume that if he had been able to foresee the tremendous increase of production which has followed the artificial stimulus of industry by bounties and other forms of protection he would have indorsed them without hesitation. Had he dreamed of the possibility of a beet sugar industry being called into existence by artificial means which would make sugar so plentiful that its cheapness would promote a con-

\*Smith, *Wealth of Nations*, Chap. V, Book IV.

†*Ibid.*

‡*Ibid.*



sumption rivaling that of the cereals he would have extolled the wisdom of the framers of bounty laws as unequivocally as he did that of the authors of the English Navigation Act. But he could not anticipate the development of an industry he had never heard of, nor could he suppose that in a little more than a century the thirteen colonies of England on the Atlantic seaboard of America would grow into a nation able to consume 2,012,729 tons of sugar in a single year (1894), chiefly because, through the stimulus given by the bounty system, prices of the commodity fell so low that it is now regarded as a necessary by all classes and is used as extensively in the homes of the working classes as in the houses of the rich.

But while there can be no question regarding the benefits to mankind from the practice of artificially stimulating industry, the system has raised new problems, most of them the direct result of a condition which the free trader cannot consistently deprecate, as they are conducive to cheapness. There is no doubt that appreciation of the fact and the disposition to act upon the discovery that the ability to produce is not confined to a single country are responsible in part for the aggravation of the phenomenon of overproduction witnessed in modern times. It would have been extraordinary if, without a change in methods of distribution, an evil which England complained of when she enjoyed a practical monopoly of manufacturing industry, with the whole world for her market, was not intensified by the entrance into the industrial field of rivals who now dispute with her for supremacy. If in 1820, when the production of coal was only 17,200,000 tons, its energy when devoted to manufacturing sufficed to clog markets, why should we be surprised that a production of 531,000,000 tons in 1894 should produce a similar result? In 1840 the world's production of iron ore was only 6,400,000 tons, yet England, the principal producer in that year, was filled with complaints because the world would not absorb the products of her mines and factories. Is

it at all strange then that the situation should have presented some difficulties in 1894, when the quantity of iron stone mined was 53,000,000 tons?\*

These questions almost answer themselves. Any occasion there may be for complaint must be due to faulty distribution, and not to the tendency, alleged by the free trader, of protection to repress production. Instead, therefore, of studying methods of repressing universal production it should be the aim of economists to reconcile the obvious disposition of the people of all progressive nations to share in the profits of the higher branches of industry. It ought to be clearly apparent by this time that the keynote of political economy must be the preservation of the national existence. To recur to a phrase of Adam Smith's, it should be recognized that "the defense of the society" ought to be the first consideration, because in the modern struggle for existence it is not "prudent to depend upon our neighbors for the supply" of any manufactured article or product which we can produce for ourselves. Our experience as purchasers of iron while dependent upon Great Britain, cited elsewhere, conclusively demonstrates the correctness of the doctor's deduction, and an examination of the results of our dependence in other directions will disclose similar results. It is only by steadfastly adhering to the determination of being as self sufficing as possible that a nation can work out a glorious destiny for itself.

It is often urged by free traders, in moments when they forget their assertions that "protection cannot protect," that the Americans having built up a great manufacturing industry, the necessity for a protective tariff no longer exists in the United States. But the fallacy of such an assumption may be easily exposed. No matter what the primary opinion of the protectionist may have been or how strenuously he may have insisted on the propriety of extending aid to infant

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\*Mulhall, *Industries and Wealth of Nations*, 1896.

industries, it is now seen that protection has a still more important function to perform—that of equalizing international conditions. Without its aid countries would be reduced to the state of impotency which now exists in England, where the rulers are confronted with trade problems which they dare not handle as wisdom dictates for fear of violating an “ism.” That country is now assailed by a proposition from its West Indian dependencies to either provide a remedy against the disastrous effects of the competition of bounty promoted sugar or to permit the distressed people to seek annexation with the United States. What step will finally be taken remains to be seen; at present a resort is had to a species of aid which smacks very much of the English system of outdoor relief and which must make its recipients feel like paupers.

Perhaps the evils of unrestricted competition are seen in a more exaggerated form in the British West Indies than elsewhere, but the effects are more or less the same in every country. In the United States, notwithstanding its immense resources and measurably well diversified industries, the evil results of attempting to dispense with a protective tariff were witnessed when the authors of the Wilson-Gorman bill reduced duties and in many cases struck down protection entirely. The country was at once flooded with foreign goods and large numbers of people were driven out of employment. That no benefits followed this enforced cheapness is clearly proved by the fact that the consumption of many of the great staples diminished during the period while the low tariff prevailed, notably iron, the production of which fell off nearly thirty-three per cent. Some persons in this country were led astray by the sudden expansion of exports of manufactured articles during this period and drew the inference that circumstances were changing for the better through the reduction of duties, but investigation disclosed that our increased shipments of many articles were due to the sudden diminution of the consumptive ability of American working-

men. Foreign critics were not deceived and consoled themselves with the reflection that a recrudescence of prosperity by raising prices would remove the incentive to find a market abroad, which is only another way of saying that Americans are better off when their home markets absorb all that the manufacturers of the United States can produce, even though the cost to the consumer is increased during the time of expanding consumption.

There are so many different conditions that must be equalized before there can be anything like a fair competition between nations it would be impossible to enumerate them all here. Some of the more important have already been alluded to. The undesirability of attempting to compete with races in whom the habit of thrift has become so ingrained by centuries of necessity that it resembles parsimony has been dwelt upon. Reference has also been made to the varying ideas of peoples respecting the value of education, and it is suggested that the statesmen of a nation which provides schools for all classes and proceeds on the theory that it is the duty of the state to give every citizen an opportunity to fit himself for the obligations of citizenship cannot afford to neglect the adoption of means to prevent other countries from profiting by their failure to similarly equip their own working people. We have seen also that the English workingman, despite the fact that he rejected the advice of Bright and Cobden to submit to the evils of unrestrained competition, is, nevertheless, vainly struggling with the aid of his unions, to avert the consequences of the law which Smith has demonstrated is ceaselessly at work pressing the toiler to the limit of subsistence. All the solidarity of the English trades unions is rendered ineffective through the failure of the workingmen of Germany, Belgium and other workers on the continent to accommodate themselves to the British standard of work and living. Obviously, some form of protection must be found to resist the encroachments spoken of or the British workingman must succumb. His trades

unions will be powerless to benefit him when the struggle between the manufacturing nations becomes more intense, as it must when skill is more generally diffused and overproduction stimulates the tendency to dump surplus products on foreign markets.

There is still another cause than those enumerated which must be considered when the question of equalizing the conditions of nations receives the attention of statesmen. The effects of a bounty designed to stimulate production and export are clearly seen and have been dwelt upon in this chapter, but there is an indirect method of accomplishing the desired result which does not attract much attention, but which may be made to operate as effectively as a direct subvention. If a particular industry is excused from the burden of taxation to all intents and purposes it is aided as effectually as though a direct gift of money were bestowed. The results of such a course may be seen in our own country, where the minor political subdivisions occasionally resort to the device of exempting manufacturing plants from taxation for the purpose of attracting investors and often with the object of drawing industries from places where they had long been established, but in which they were subjected to the same rule of taxation as that to which all property owners of the locality are obliged to conform. It is no answer to this statement to say that it is the part of wisdom for all communities to avoid taxing productive industry and thus escape being discriminated against, because in practice it is found impossible to excuse the property of one class of producers while taxing that of another. The experiments of England in this direction have proved ruinous to agriculture, which has been made to bear so great a part of the national burden that land, in spite of the increasing population of the United Kingdom, is becoming less valuable year by year.

Somewhat similar in its operation to the exemption of manufacturing plants from taxation is the promotion of artificial facilities for the carrying on of an industry in places

like Manchester, England. That industrial center has recently expended a large sum of money in order to create a port which will enable the cotton manufacturers of the district to bring the raw product to their doors more cheaply than under natural conditions. The obvious purpose of the construction of the Manchester Ship Canal is to neutralize the advantage enjoyed by Americans through their proximity to the cotton fields which produce the major part of the raw materials worked up in the Lancashire district. To assume that the nation possessing supplies of raw materials should refrain from taking measures to counteract the effects of such attempts to prevent the development of a cotton manufacturing industry near the source of supply would be preposterous, and as there is no possible mode by which the owners of spare capital can be prevented from spending it in creating artificial advantages to offset natural ones, nothing is left to the statesmen of the country possessing the raw material but to withstand the encroachment by the imposition of an equalizing duty.

The author of "Made in Germany" and other writers have recently been emphasizing the evils resulting from the tendency of transportation corporations to carry goods brought from a long distance for a lesser rate than they charge for making short hauls. Williams tells us that "some British steamers commencing to load for South America at Bremen and finishing at Liverpool charge 8s per ton at Bremen, but when they come to Liverpool 12s 6d and ten per cent, with five per cent returnable, being 5s 1½d in favor of the foreigner. \* \* \* This prejudicing of trade has been accounted for by the existence of a shipping ring, but (as Mr. Jeremiah Head has pointed out) the better explanation lies in the competition from the continent of the subsidized lines. These lines have a minimum rate of interest guaranteed by the state, and, whether empty or laden, their steamers are bound to run."\*

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\*Williams, Trade in Germany, p. 148.

The same writer also calls attention to the lowness of German railway charges, which have their origin in state aid. The results of this artificial promotion of trade is to cause products to be hauled great distances from the interior of Germany to points in England for a less charge than the English producer has imposed upon him by the British railroads. In the same way the eagerness of the American railroads co-operating with the Atlantic liners to force traffic results in products from the United States being landed in the cities of Great Britain more cheaply than they can be hauled from English farms to the local markets. The tremendous waste involved by pursuing such methods has been dwelt upon in the chapter showing that the tendency of free trade is to promote unnecessary hauling. The remedy for the trouble is pointed out by the writer quoted above, who says: "The German Government would soon tire of letting Silesian coal owners send their coal at ruinously low rates to Baltic ports for shipment to England when it found that England calculated the amount it gave and added an equal sum to the cost of the coal on landing in England."\*

The Cobdenite who has these facts presented to his consideration refuses to recognize their significance and persists in believing that it will be possible to induce nations to act differently from individuals in trade matters. He assumes that a country may be persuaded to stop extending bounties to beet sugar growers, but he would ridicule the suggestion that an individual should refrain from resorting to the giving of bonuses to workmen to stimulate them to greater effort; he complains because Germany and other countries call transportation lines into existence by offering subventions, but he would be amazed if he were told that consistency ought to make him demand that merchants and others who maintain porters and wagons for the free delivery of the wares sold by them should be prevented from doing so; he

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\*Williams, Trade in Germany,, p. 168.

professes to regard as a grievous burden on the consumer the imposition of a tariff duty because, as he alleges, it is a tax on one industry at the expense of other industries, yet he deliberately shuts his eyes to the fact that the irrational effort of Great Britain to maintain trade supremacy is piling up a mountain load of taxation which will ultimately crush the life out of British industry.

An English writer has recently pointed out the length to which his countrymen seem disposed to go in their attempt to force external trade at the expense of the general taxpayer. He shows that the cost of British armament, which was £24,065,876 in 1873, increased to £33,265,683 in 1893, and to £41,238,802 in 1897. In the meantime the export trade, to maintain which these enormous expenditures are incurred, only increased from £682,292,127 to £745,422,363 in 1897. "It is difficult," says the writer who collates these figures, "for a business man to escape the interpretation they suggest," and he quotes approvingly the comment of Mr. A. J. Wilson, who remarks: "If the insurance premium on our commerce abroad represented by the cost of our navy has risen 100 per cent in twenty-five years, while the value of the commerce, import and export together, has not risen fifteen per cent, what inference can be drawn except either that the outlay is a gross and cruel imposition upon the country or that our conduct toward foreign nations has become so exasperating of late years as to have enormously increased the risk of war with powerful enemies, either alone or in combination against us?"\*

In another place an attempt was made to show that these vast expenditures are the direct result of the unnatural effort of the British to monopolize the world's manufacturing industry; here they are merely referred to in order to demonstrate that free trade requires as much artificial bolstering as the attempt to raise pineapples under glass would in a tem-

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\*Hobson, *Free Trade and Foreign Policy*, Contemporary, August, 1898.



perate climate. There is no one in authority in free trade England who holds to the view advanced by the writer just quoted that these expenditures are unnecessary and that British trade would flourish without them. On the contrary, there is a profound conviction that the increased armament is absolutely necessary and that the taxation for its support, no matter how galling, must be endured if Great Britain is to be saved from sinking to the secondary position which her area and natural resources would entitle her to hold.

In whatever aspect the protective tariff is viewed, whether as a promoter of industries or as an equalizer of conditions existing in different nations, or as a method of taxation by which the incidence is distributed so that the luxuries of the rich are made to bear a larger proportion of the burden than those of the working classes, or as a refuge from the system of taxing incomes which an eminent free trader has declared is both unjust and impolitic, it commends itself to sensible men.

John Stuart Mill says: "The income tax, on whatever principles of equality it may be imposed, is in practice unequal in one of the worst ways, falling heaviest on the most conscientious." To this he adds: "This would leave us to concur in the opinion which until of late has usually prevailed—that direct taxes on income should be reserved as an extraordinary resource for great national emergencies, in which the necessity of a large additional revenue overrules all objections."\* This is the course adopted by protectionists in the United States, who have recognized the inequitable features of a tax which, as Mill says, falls heaviest on the conscientious and virtually puts a premium on dishonesty. In this and in other directions the protectionists of America have shown their sagacity, and the result has been the upbuilding of an enormous manufacturing and agricultural industry, which has created a greater amount of national wealth than

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\*Mill, *Principles of Political Economy*, Vol. II, p. 427.

any country has hitherto boasted, the acquisition of which has been attended with so little hardship to the taxpayer that the question whether the tariff is a tax is still a moot one, but is answered by millions in such a way as to show that they believe that in most instances it falls on the foreigner, a state of mind which makes the conclusion irresistible that upon whomsoever it may fall the tax is not severely felt by the people of the protected country.

## CHAPTER XXI.

### COBDENISM A FAILURE

#### FREE TRADE THEORIES CONFUTED BY THE SUCCESS OF PROTECTION.

Sir Robert Giffen's claim that free trade is increasing—Purpose of protection is to promote production within the national boundary—The first American protective tariff—Washington's recommendation that home industries should be encouraged by protective duties—His sentiments shared by the early statesmen of the republic—The object of economic policies is to increase the national wealth—Giffen's assumption that protection will be abandoned by the United States—Protection a sound economic policy because it reduces waste to a minimum—Growing evidence of dissatisfaction over the results of the free trade system—The cheapening of food products has not given England a special advantage—Advances in skill made by rivals of Great Britain—The intense competition created by driving the English agricultural laborer from the soil—Proposals to forcibly deport pauper children—Rapid growth of socialistic tendencies in England—The pauper system of England—The proposal to establish public granaries in England—Probable effects of the exhaustion of British coal measures—The maintenance of sea power and the coal supply—The necessity of the United States finding an outlet for surplus coal will create a great ocean-carrying trade—The dissipation of English coal resources will ultimately prove destructive to British maritime power—The question of subsidizing ocean-going ships—Our cheap iron and cheap coal may render such a resort unnecessary.

Sir Robert Giffen, to whom frequent reference has been made in these pages, in an address delivered by him before the North Staffordshire Chamber of Commerce on December 15, 1897, gave expression to certain views which seem to

demonstrate the incapacity of a Cobdenite, no matter how gifted, to perceive the drift of current economic thought or to realize that the principles of Cobdenism have been utterly abandoned even in England. Instead of recognizing facts as they exist, he asserts "that the substantial successes in matters commercial have been for a long time past and still are on the side of free trade and not on the side of protection. Not only," he says, "is there far more free trade in the world than people sometimes think, but much of it is of very recent growth."\*

This extraordinary conclusion, and also that which implies that the enormous expansion of internal trade of protectionist countries is a triumph for free trade, is reached by totally ignoring the fact that while protection is a national policy it never contemplated, as all Cobdenites falsely assume, the restriction of trade. Its purpose has always been plainly stated by its advocates to be the promotion of industry within the national borders, and it has for its basis the rational concept of Adam Smith that "it is of more consequence that the capital of a manufacturer should reside within the country," as "it necessarily puts into motion a greater quantity of productive labor and adds a greater value to the produce of the land and labor of the society."† Protectionists endowed with reasoning powers could not help seeing the force of Smith's observation that "the greater the number and revenue and inhabitants of the town the more extensive is the market which it affords to those of the country; and the more extensive that market it is always more advantageous to a great number. The corn which grows within a mile of the town sells there for the same price with that which comes from twenty miles' distance."‡ They also recognized the homely truth in this saying: "A small quan-

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\*Giffen, *The Success of Free Trade*, *New England Free Trade Bulletin*, No. 2, of 1898.

†Smith, *Wealth of Nations*, Book II, Chap. V.

‡*Ibid.*, Book III, Chap. I.

tity of manufactured produce purchases a great quantity of rude produce. A trading and manufacturing country, therefore, naturally purchases with a small part of its manufactured produce a great part of the rude produce of other countries; while, on the contrary, a country without trade and manufactures is generally obliged to purchase at the expense of a great part of its rude produce a very small part of the manufactured produce of other countries.”\*

These ideas were strongly impressed on the minds of the men who took a leading part in the formation of the American Union. The First Congress of the United States, in the preamble to the first revenue law adopted, declared: “It is necessary for the support of the Government, the discharge of the debts of the United States and the encouragement and protection of manufactures that duties be laid on goods, wares and merchandise imported.”† In Washington’s first annual message to Congress he said: “The advancement of agriculture, commerce and manufactures by all proper means will not, I trust, need recommendation; but I cannot forbear intimating to you the expediency of giving effectual encouragement as well to the introducer of new and useful inventions from abroad as to exertions of skill in producing them at home.”‡ Madison expressed similar views, declaring himself in favor of a policy “calculated to encourage the productions of our country and protect our infant industries” when presenting an amendment to the first revenue law, and Hamilton elaborately defended the protective policy thus early inaugurated, giving as a leading reason why it should be retained that it would, by promoting manufactures, create “a new demand in some instances and a steady one in all cases for the products of the soil.”

Washington, seeing with a prescient eye the dangers of

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\*Smith, *Wealth of Nations*, Book IV, Chap. IX.

†Act approved July 4, 1789, by George Washington.

‡First annual address of George Washington, January 8, 1790; *Messages and Papers of the Presidents*, Vol. I, p. 65.

dependence, urged his countrymen in his Farewell Address to build up home industries. "Congress," he said, "has repeatedly and not without success directed their attention to the encouragement of manufactures. The object is of too much consequence not to insure a continuation of their efforts in every way which shall appear eligible. \* \* \* \* Ought our country," he asks, "to remain dependent on foreign supply precarious because able to be interrupted? If the necessary article should in this mode cost more in time of peace will not the security and independence thence arising form an ample consideration?"

In the face of this testimony, which conclusively proves that the national welfare was the paramount idea of the early protectionists and all their followers, and of the further fact that concurrently with the adoption of the system provisions were inserted in the Constitution providing for absolute freedom of trade between the people of the different States of the Union,\* Mr. Giffen seriously refers to this free intercourse as though it were a new development, forced on the nation by the example of Cobdenism. He says: "Thus in spite of all that protectionist policy may do, even the most protectionist country *nowadays* conducts the greater part of its business under free trade conditions," and in another passage he asserts: "Protectionists, however, notwithstanding all their boasting, have not the courage of their convictions. They will not set up customs lines with protective tariffs inside a particular political area, however large, although the economic conditions are present which they plead as excusing such tariffs."†

Such a statement as this can only be characterized as bungling disingenuousness. Sir Robert, as a student of economic subjects, must know that the protective policy is wholly founded on considerations of national welfare, and that,

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\*Constitution of the United States, Article I, Sections 8 and 9.

†Giffen, *The Success of Free Trade*, New England Trade Bulletin, No. 2, 1898.

therefore, to have attempted to set up any other rule than that formulated in the Constitution providing for the freest possible trade intercourse between the people of the several States would have been inconsistent and would have violated the conviction expressed by Washington, and shared by all protectionists, that in order to guard against dependence upon other nations it would be wise for the people of the United States to make such sacrifices as would be necessary to create and maintain a home manufacturing industry.

Puerile is too feeble a term to employ in characterizing comment of the kind which thus ineffectually seeks to disguise the real purposes of economic policies. Sir Robert Giffen knows perfectly that the object of protection in this country is the development of the national resources and that the ultimate aim of those who advocate it is to increase the national wealth. This, too, we infer from the statements and admissions of followers of the Manchester school is the object of free trade, the underlying assumption being that the creation of wealth must result in bettering the condition of the people within the borders of the country in which the wealth is accumulated. If this is not the purpose of the Cobdenites Sir Robert Giffen has wasted much time in the preparation of his voluminous essays and his statistical tables in which he laboriously strives to show that the English people have had their comforts increased during the past half century and that the inequalities of condition are gradually being removed.\*

It is idle, therefore, to undertake to show, as Sir Robert Giffen does, that because there is transacted within the borders of the United States a trade which rivals in volume the combined external trades of all the nations of the world a great victory has been gained for free trade. It is easy, however, to show, on the other hand, that had protection been neglected the development of the national resources would

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\*Giffen, "The Growth of Capital" and "Essays in Finance."

have languished and that the wealth of the United States might not have increased at all. That appears to be the fate of all countries whose peoples have not energy enough to adopt a course designed to promote the national welfare, or whose statesmen lack the wisdom to perceive the force of Smith's assertion that the nations which confine themselves to the ruder forms of production are merely working for the aggrandizement of the nations sagacious enough to diversify their industries.

And it may be asserted with equal positiveness that Sir Robert is also at fault when he declares that "the United States, *volens volens*, must very soon become a country of international free trade," if he means thereby that the statesmen of this country will in the future disregard the necessity of adopting some method by which international conditions may be equalized. In venturing this assumption he has disregarded the tendencies displayed in free trade England, where a Government has, under popular pressure, been compelled to resort to the expedient of extending aid to the planters of the British West Indies, whose business has been destroyed by the competition of the beet sugar growers, and that there is now under British consideration a project to maintain national granaries in order to ward off the danger which the overpopulation and the unprofitableness of agriculture in the British Isles has brought about. In the face of movements such as these, and the rapidly growing sentiment that Great Britain is at a commercial disadvantage in dealing with other nations, it is something in the nature of a diversion for an advocate of free trade to pretend that protection has defeated its own objects and that we will be forced to throw open our ports to competing goods without exacting that they shall, before being privileged to enter our markets, pay a tax which will equalize any differences in conditions that may exist between this country and the country from which the imports come.

Before the abandonment of protection takes place it will



have to be demonstrated that international competition under existing conditions would not be conducive to wastefulness, and it would have to be made clear to American statesmen that the adoption of the Cobden idea would not result in a competition in which victory would crown the efforts of capital rather than deserving competitors. That the contest and its result would be of the nature described may be inferred from these remarks made by the representative of the Boston Chamber of Commerce before the Quebec conference which attempted the adjustment of tariff and other differences between the United States and Canada. The gentleman alluded to said: "What we desire is a chance to sell our manufactured goods in the Canadian markets. We believe in asking this of the Quebec conference, we are speaking the sentiments of 280,000 workmen along the Canadian border of the United States. In Massachusetts alone we manufacture \$900,000,000 of goods each year, and we want a market for these goods. We do not fear competition, for we have the greater wealth and facilities on our side."\*

There is no hint here of the fact that there is no substantial difference between the natural conditions of Canada and New England which would make the latter better fitted to manufacture than the former; there is simply a confident expression of the belief that the greater wealth and existing facilities of the New England States would, in what is euphemistically termed a fair contest, enable the Americans to beat the Canadians in their own markets. The ideas of the speaker differ in no essential particular from those expressed by Englishmen during the period when Americans, under the influence of the slave oligarchy, were wavering in their devotion to protection and were showing signs of disregarding the warning of Washington to avoid remaining in a state of dependence upon foreigners. Had the United States been misled by such arguments the representative of the New

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\*Howes, address of to Quebec Conference, August 31, 1898.

England Chamber of Commerce would not have been able to make his proud boast, for the manufacturing industry of that section would have been unable to withstand the assaults of the English, and the wealth and superior facilities he speaks of as existing in Massachusetts would not have been called into existence.

It is possible that the Canadians, disregarding the lessons of experience, may conclude that present cheapness and perpetual dependence are more alluring than a temporary sacrifice and permanent prosperity, but that would offer no reason why we should incur the risks which Jeans and other British economists and the statistics of English trade show that open ports invite. Sound economy demands that the process of manufacturing be carried on as near as practicable to the sources from whence the supplies of raw material and the food to feed the people who work it up into finished articles are derived. All the sophistries that may be suggested by the most ingenious dialecticians cannot disguise the fact that it is wasteful to haul raw material three thousand miles to be fashioned into goods to be returned to the country in which the raw materials originated; nor can any argument be framed which will convince reasonable men that it is wise for a country to deliberately cheapen its peculiar products so that other countries may be enabled to compete on more favorable terms in supplying those articles the production of which brings wealth and prosperity to the producers.

The most profitable policy for the United States and the world at large is that of protection. It may prove injurious to Great Britain, but that is because she has attempted more than her resources justify, but it cannot operate otherwise than beneficially in countries of great resources, capable of sustaining immense populations, such as the United States and Russia. In the United States the effect of protection has been to call into existence a vast manufacturing industry, which, in turn, has, in the manner described by Adam Smith, created a great market for farm products and per-

mitted an expansion which could never have taken place had the nation elected to act as a hewer of wood and drawer of water for those nations which had established manufactures long before the United States entered the industrial race. Now that great manufacturing industries have been called into existence it would be criminal to imperil them in a struggle the outcome of which would depend almost wholly upon the willingness of the owners of capital and workers in the old world to regain by temporary sacrifices the advantages they have lost by the people of the United States holding their home markets.

The intensity of such a contest can hardly be exaggerated. We have some foreshadowings of the probable consequences in the strikes of Great Britain, which frequently endure for months. No reasonable person will assume that these manifestations of the discontent of workingmen and the tenacious opposition to their demands made by employers are frivolous. The history of English industry indicates that the British employer is quick enough to yield to the demands of his working people when he thinks the state of trade will justify him in pursuing such a course; we must assume, therefore, that when he holds out for months against the demands of the trades unions he means what he says when he declares that he is maintaining his position with difficulty and that concessions would prove injurious; and, on the other hand, we may feel assured that the worker who pinches himself to the point of starvation to win in the struggle with his employer is convinced that the issue is to him the vital one of whether a fair day's work is worth a living wage.

These ever recurring strikes in free trade England and a hundred other circumstances all indicate that Sir Robert Giffen is in error in assuming that Cobdenism is destined to prevail throughout the world. J. Torold Rogers may have been excusable for assuming as he did a quarter of a century ago "that in England at least the question of pro-

tection of manufactures is finally settled," but it is hazardous to make such a statement when a condition of affairs exists such as that described by numerous English writers, all of whom are entitled to as much consideration as Giffen, who, living in the past, refuses to note what is going on about him. When a Merchandise Marks Act is passed, the professed object of which is to induce Englishmen to patronize home products to the exclusion of those imported, the existence of a strong protective bias is indicated. The fact that a book whose plainly declared purpose is to warn Britons against the dangers of foreign competition can make a furore in England and win applause from a large section of the public shows that the security which the teachings of the Manchester school once inspired has vanished and that confidence in the future has been displaced by dread. When Englishmen freely acknowledge the accuracy of such statements as those we find in an economic monograph which has had a larger circulation in Great Britain than any other publication of a similar character in recent years, and in which the writer declares that "the industrial glory of England is departing and England does not know it,"\* and who assigns as a reason for this decadence a lack of protection, which places English workingmen at a disadvantage with the poorer paid workingmen of the continent, we are compelled to distrust Sir Robert's assurances of the triumph of free trade.

We are assured by an English writer that "if the United Kingdom is to maintain even its present level of prosperity under the present conditions of population and of manufacture, it is absolutely necessary that its export trade should increase in value by about £2,600,000 annually."† The indications are that under the existing system it will be

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\*Williams, *Trade in Germany*, p. 1.

†Kershaw, *The Future of British Trade*, *Fortnightly*, November, 1897.

impossible for Great Britain to hold what trade she has. Instead of increasing her exports, they are declining in volume and value.\* Therefore, the question arises whether that country has not more reason than those which resort to protection for dreading the consequences suggested by the writer just quoted, who asserts that "the second path of industrial development is that upon which we are at present traveling. It leads to an international industrial warfare of the most savage intensity. This warfare, if it be permitted to proceed to its logical issue, can have but one result—the reduction of the standard of life and comfort in all countries to the lowest level at which human beings in any part of the world are willing to exist."†

As the major part of the world has refused to accept the theories of Cobden the application of the above is not universal. If the United States refuses to engage in a savage contest of the nature described it cannot be assumed that her working people will be reduced to the common level of degradation which must be the outcome of the attempts of great masses of capital to find employment.‡ But while the United States and other countries decline to subject their toilers to the risks which unrestrained competition involves they still perform a part in the international struggle, and one calculated to place the unprotected worker of other countries at a disadvantage. Mr. Jeans has shown how protective nations may preserve their home market by dumping their surplus products upon those countries ready to receive them. These surpluses are constantly growing in volume and they are seeking a market in Great Britain and in countries hitherto dependent upon British manufacturers

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\*Warren, *The United States Export Trade*, Westminster, January, 1899.

†Kershaw, *The Future of British Trade*, Fortnightly, November, 1897.

‡Conart, *The Economic Basis of Imperialism*, North American Review, September, 1898.

for their supplies of finished articles. The magnitude of this dumping movement is attested by the swelling figures of English imports and the crippling of British industries. Its rapid growth is a just cause for alarm and accounts for the appearance of such publications as "Made in Germany" and that almost revolutionary production of Robert Blatchford, "Merrie England," which, in its various forms, has had a reputed circulation of millions of copies in the United Kingdom.

Sir Robert Giffen would doubtless sneer at the suggestion that emanations such as these are taken more account of in England than his elaborate statistics and his far-fetched assumption that free trade is gaining ground throughout the world, but the facts are against him. It was some time in 1894 that Blatchford wrote: "Suppose we go to war with America! What happens? Do you remember the cotton famine? That was bad, but a mere trifle to what an Anglo-American war would be. We should, in fact, be beaten without firing a shot. America need only close her ports to corn and cotton and we should be starved into surrender and acceptance of her terms."\* Since the appearance of this screed the papers and reviews of England have been filled with articles dwelling on the evils of dependence, and the agitation will probably culminate in the creation of national granaries, with all the attendant dangers which such a system is calculated to bring in its train.

It is doubtful, however, whether such artificial devices will relieve Great Britain from the consequences of her policy of undue expansion in one direction. The great wealth accumulated during the period while she was profiting at the expense of improvident or undeveloped countries has brought about a condition of affairs which must impede attempts to preserve the home market for English workers. The enormous holdings of the obligations of foreigners,

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\*Blatchford, *Merry England*, Chap. IV.

which, while the countries indebted were in a state of dependence upon British manufacturers, were a source of tremendous profit, are certain to become a plague rather than a blessing to the English workingman in the near future, for it must be clear to the dullest comprehension that some day such countries as the United States will be better able to spare their surplus of manufactured articles than the food stuffs required to maintain the people engaged in their fabrication.

The Cobdenite school of economists made an attempt to perpetuate English manufacturing supremacy by inculcating the idea that nations with agricultural capabilities would find their greatest profit in devoting themselves to the production of raw materials and food supplies and exchanging them for British manufactured products. But the sophistry of the argument was easily detected, and most western peoples, as has elsewhere been shown, elected to follow the more rational plan of concurrently developing agriculture and manufactures. The United States in particular refused to commit the blunder of confining her energies to the production of those things which the English asserted she was best fitted to produce. A consequence of this refusal has been the development of agriculture on a more stupendous scale than would have been possible had the farm and the factory been divorced.

In the chapter devoted to showing the stimulating effects of protection on the agricultural industry of this country facts are cited which force the conclusion that the rapid opening of the fertile lands of the United States was wholly due to the policy of creating a domestic manufacturing industry. In various ways this policy operated to rapidly bring under cultivation tracts which would have lain idle for centuries under other conditions. This speedy development largely contributed to the great cheapening of the price of bread stuffs, which is one of the most striking features in modern economics, and it has been more instru-

mental than any other cause in giving the old world an abundant supply of meat products at prices which have made that class of food less of a luxury than at any other time since the Middle Ages.

But despite this remarkable cheapening of products used by the toiler in maintaining existence no such result as was anticipated by the Manchester school has occurred. The English millhand can today obtain bread and meat more cheaply than the most sanguine Cobdenite ever dreamed he would, but the English manufacturer is not able on that account to enlarge his export trade. So striking has been the refutation of this free trade assumption it is forced on the attention of men who are not directly concerned with the discussion of economics, and who only refer to the subject because it touches a matter in which they have a special interest.

Among writers of this class is the author of "The Iron-clad in Action." In a review of the growth of the world's armaments which appeared in 1898 he presented several diagrams showing the increase of national expenditure for warlike purposes and the ability of the various nations to support armies and navies, which he assumed would be best indicated by the capacity to produce a surplus for export trade. In one of these diagrams the progress of Great Britain and other countries in external trade was exhibited. It showed that Great Britain in the year 1868 had "a special export trade"—the phrase as employed by the writer meaning natural and manufactured products of the United Kingdom—of £180,000,00, which in 1897 had only increased to £230,000,000, having, however, in the meantime, in 1890, exceeded £260,000,000. The United States, on the other hand, with an export trade of only £54,000,000 in 1868, had in 1897 reached £190,000,000. In explanation the writer remarked: "Last in the scale of general diagrams are the special exports. It will be noted that Germany is steadily gaining on England, while the advance of the United States



is simply phenomenal. \* \* \* It is difficult," he adds, "to reconcile this diagram with Cobden's prophecy. That protectionist states are overhauling us fast can no longer be denied. It looks as though before the end of the present century the special exports of Germany and of the United States will be greater than our own."\*

The writer's conjecture that the exports of the United States would exceed those of England before the close of the century was fully justified, for the statistics of exports of this country for the year 1898 show that their value considerably exceeded those of Great Britain for the same period, and nearly touched the highest point reached by the United Kingdom in 1890, when the value of the special exports of that country amounted to £260,000,000.† That there should be such an increase in the external trade of a protectionist country concurrently with a decline in British export trade certainly warrants the assertion that Cobden's prophecy has been refuted, for there was no opinion more positively expressed by Cobden and his early followers than that the effects of securing abundant supplies of cheap food and raw materials would enormously stimulate the export of manufactured articles from Great Britain.

As late as 1892, in a revised edition of an American work eulogizing the British free trade system, the author, Trumbull, remarked: "It is impossible to open the national gates to imports and keep exports from escaping through the gap." This was designed to be satirical, as the added information furnished by the writer shows: "Sir Robert Peel's experiment made in 1842, timid as it was," he says, "proved this; but neither Peel, nor Cobden, nor the most sanguine free trader, could have anticipated that within forty-five years,

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\*Wilson, *The Growth of the World's Armaments, Nineteenth Century*, May, 1898.

Warren, *The United States Export Trade*, Westminster, January 1899. The exports of the United States for the calendar year 1898 were: Merchandise, \$1,254,925,000; silver bullion, \$53,797,000. The latter should be considered merchandise.

under the stimulus given by free imports, the exports of merchandise from Great Britain and Ireland would amount in value to £248,000,000.\* If another edition of the book in question is called for and its author brings his information down to date he will have to record a diminishing export, and if he conscientiously analyzes the cause he will discover that the dwindling is due to the fact that "it is impossible to open the national gates to imports" in the manner that England does and at the same time maintain national prosperity.

This free trade writer when he reviews the situation will discover that his facetious allusion "to exports escaping through the gap" made by imports does not fit the existing condition. If he studies modern methods he will learn that exports are made under high pressure, and that the nations most jealously guarding against the free entrance of competing products are those which are now most successful in forcing upon the rest of the world their surpluses of manufactures and products of the soil. The cheap loaf which Cobden and the other free traders set so much store by has not served to maintain the commercial supremacy of England, because that country has not been able to preserve the advantage once undoubtedly possessed by her in the superior labor efficiency of her working population.

In one of his speeches, which has been described as the most effective ever made by Cobden, he declared: "The English workman produced three times as much for a dollar as the continental workman did for half a dollar."† Had this condition remained unchanged there is no doubt whatever that the English manufacturer would have permanently maintained his lead, but the competing Germans and Belgians improved their processes so rapidly that whatever differences may have existed when Cobden spoke, in later

\*Trumbull, *The Free Trade Struggle in England*, p. 227.

†*Ibid*, p. 74.

years it has disappeared, and now the despised continentals are held up as examples for the British workingmen to emulate. English statesmen are now solemnly warned that they must provide as good technical schools as those found in Germany and other places on the continent of Europe if they wish to produce manufactured articles which will compare artistically with those sent out by their competitors;\* and visiting delegations of British workingmen return to England and report to their fellows that "it would be absolutely impossible to produce sheets (iron) in such quantity and of such an appearance with the appliances we (the British) have at our disposal." † This testimony is striking, but still more surprising is the statement that "it was found by the delegates of 'British Iron' that for loading plates German mechanics are paid at the rate of a franc per ton, whereas the Middlesborough man gets only 5½ pence to 7 pence. An Englishman," continues this interesting report, "employed at a certain iron works in Germany, who had once been at Darlington and Middlesborough and was therefore fitted to compare, discoursed the delegates thus: 'Undoubtedly our men are better off than in England. We pay, generally speaking, higher wages. You have some few men who get higher wages than any men in our works; but over the whole of the men we get higher wages than you pay.' " ‡

Commenting on this report, the author of "Made in Germany" says: "The official statistics of wages in Germany may be cited in confirmation. These show—not only that the German worker's income averages very fairly with the English dittos but—that the German's wages are on a pretty steady upward grade; which explains the signs of a higher standard of living now noticeable among the German

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\*Williams, *Trade in Germany*, pp. 3-153.

† *Ibid*, p. 42.

‡ *Ibid*, p. 41.

people." These facts are singularly impressive, because they testify to an improvement of the standard of living in Germany under a protective system concurrently with a struggle in England on the part of workmen for what is called "a living wage." If there is any lesson to be drawn from such a state of affairs it is that in a protective country the workman has an opportunity to share in the benefits of modern improvements by raising his standard of living, while in a free trade nation where a surplus of manufactured products for which an outlet must be had is the usual feature, the employer, in order to produce as cheaply as his rivals, must constantly drive his workers to the limit of subsistence. This deduction is fully sustained by the circumstance that the recent great strikes in England have raised the question whether the extremities of competition will justify the worker in demanding what he calls a "living wage," which may be interpreted as meaning the maintenance of the standard of living to which the British workman became accustomed during the period of manufacturing prosperity in England.

The facts presented, and the additional one that all manufacturing countries are sharing the real and fancied benefits of the cheap loaf, make it clear that Great Britain is deriving no commercial advantage from the extraordinary cheapening of agricultural products of all kinds, although the non-producing classes possessing incomes are profiting by the fall. Not only does England fail to reap a special benefit, but she has suffered immeasurably by the arrested development of an industry which might have been expanded sufficiently, had a reasonable degree of protection been afforded, to preserve the country from the apprehension of being starved to death. And incidentally the encouragement to agriculture would have mitigated the evils of the intense competition for a chance to earn a livelihood caused by driving men from the tillage of the soil to English cities.

That the competition between workers thus brought about is greater than some economists suppose will be apparent to any one who will take the trouble to examine the workings of trades unionism in England. A very superficial acquaintance with the literature of labor organization will suggest the conclusion that the leaders and members of the unions are acting under the pressure of apprehension. The stubborn opposition to the effective use of automatic and other labor-saving machinery so much complained of by English employers is almost wholly inspired by the recognition of the fact by workers that it is absolutely necessary to make their combinations embrace every possible competitor. That implies that there will always be an effort on the part of such organizations to make a job go as far as it can be made to in order that work may be provided for the constantly increasing number who demand a chance to earn a living.

Had the agricultural industry not been subordinated to that of manufacturing the pressure of population would have been less severely felt in England than it is at present and is likely to be in the future. . Those who have followed the writings of economists who discuss the remedies for the wretchedness resulting from the overcrowding of England are apt to ask themselves, when they see included among them such panaceas as emigration: Is free trade really as great a blessing as the Cobdenites would have us believe it is? When such a condition of affairs is produced by an industrial system that philanthropists advocate the forcible removal from the home country, to colonies or other lands, of pauper children, it is hard to think well of it. "In the case of pauper children I hold," says Rogers, "that they who have put upon others the charge of their maintenance have morally forfeited the right to determine their career. It is the interest of honest and industrious workmen," he adds, "that pauperism should be diminished as much as possible in the present and obviated in the future and that crime should

be isolated and watched. Everything which increases the cost of administering human societies, and still more everything which involves the waste of wealth, diminishes the resources available for the employment of industry.”\*

It is related of wolves that when members of the pack become injured or enfeebled to such an extent that they are unable to care for themselves the remainder fall upon and rend them. Perhaps it may be carrying the simile too far to say that the suggestion made by Rogers puts the duty of society on the same plane as the practice of wolves, but when we reflect that the wretched paupers whose descendants are to be expatriated for the good of society are often the victims of an industrial system which works so illy that people go naked and are starved because too much clothing and food is produced it is permissible to use it. It is the proud boast of many free traders that the system they advocate has added immensely to the national wealth and that the population of the United Kingdom has been greatly increased through its agency. But if the result of this increase is to give the questions raised by Malthus an undue interest and to make such men as John Stuart Mill seriously discuss the propriety of passing laws to keep the birth rate within limits it is hardly a matter to be referred to with pride. †

“In all old countries—all countries in which the increase of population is in any degree checked by the difficulty of obtaining subsistence—the habitual money price of labor,” says Mill, “is that which will just enable the laborers, one with another, to purchase the commodities without which they either cannot or will not keep up the population at the customary rate of increase.” ‡ That the difficulty here referred to is becoming more intense day by day in Great Britain

\*Rogers, *Six Centuries of Work and Wages*, p. 561.

†Mill, *Principles of Political Economy*, Vol. II, p. 432.

‡Ibid, Vol. II, p. 261.

is manifest from the increasing number of publications in which the doctrines of Malthus are respectfully referred to and by the undoubted spread of socialism in the United Kingdom and the extraordinary means resorted to in order to relieve the pressure of population.

The English seem to be unconscious of the fact that they are rapidly marching along the highway which Spencer and others once fancied the people of Great Britain would never tread. In addition to the colossal pauper system of indoor and outdoor relief, we now see the state and its political subdivisions supplying the masses with those utilities which in protectionist countries are left to individual effort. Herbert Spencer at one time, under the influence of the spell of Cobdenism, declared that all interference of this kind on the part of the state was pernicious. He went so far as to deprecate sanitation at the public charge,\* taught that it was a mistake to educate the people at the expense of the community,† and warned his readers to not make the mistake of thinking "that the apparently gratuitous instruction for his offspring would be of no weight with the workingman deliberating on the propriety of taking a wife,"‡ and really seemed to believe that "the judgment of the consumer" would be a sufficient safeguard to protect him against the evils of adulteration and to prevent his being imposed upon by predatory druggists whose conscience would permit them to sell inferior or poisonous drugs.|| The attempt of the state to interfere in any of these matters Spencer thought would lead to slavery.§

From these grotesque views of the advocates of *laissez faire*, which may easily be traced to the mistaken opinion that it was the abandonment of the corn laws which led

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\*Spencer, *Social Statics*, p. 215.

†Ibid, pp. 166-171.

‡Ibid, p. 177.

||Ibid, p. 203.

§Ibid, *Man vs. the State*, p. 331.

in the flood of wealth which has poured into Great Britain since their abrogation, it is interesting to turn to the testimony of recent writers on municipal affairs in England. From them we may discover how rapidly, under the pressure of an increasing indigent population, the state in England is assuming functions which could doubtless be more cheaply performed by individuals, but which the people demand shall be carried on by the agents they select to act for them in their collective capacity. The professed purpose of the movement is to deprive individuals of the opportunity of earning profit at the expense of the community, although the motive is somewhat disguised by the assumption that the object is to prevent corruption in the administration of public affairs. According to Albert Shaw, there are lodging houses in Great Britain maintained by municipalities which entertain hundreds of thousands of guests annually; public hospitals are provided in Glasgow and other cities; sanitary officers now invade the houses of individuals and insist that staircases and courts be kept clean; water and gas are now generally supplied to householders in English cities by the municipality, and in some cities transportation facilities are provided by the same agency; the state also compels the companies operating steam roads to run workmen's trains, and the movement to provide better tenements at the public expense by tearing down rookeries and widening streets in congested districts is growing rapidly in the larger towns of the United Kingdom.\*

It may be urged that these tendencies are also manifest in the United States, but whenever they show themselves in this country they are responsive to a different motive from that which impels intelligent Englishmen to assent to the setting aside of the doctrines of *laissez faire*. In this country any steps that may be taken in the direction of the

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\*The American consul at Birmingham, Eng., recently made a report in which he declared that the tendency towards socialism in Great Britain was very marked.



regulation of competition will not do violence to the theory of protection, for that is based on the assumption that the general welfare may be promoted by wise restraint. But free trade proceeds on the contrary idea that good must necessarily result from excessive competition, as its effect is to lower the price of commodities, thus presumably benefiting the consumer. Therefore when we see the state in Great Britain gradually usurping all those functions which Spencer and other philosophers of the *laissez faire* school insist can best be carried on by individual exertion we must assume that the disregard of their teachings is due to the fear of the consequences of the working of the British industrial system rather than to the belief that a modified form of state socialism, which may lead to something more far reaching, will result in an economic gain.

It is an ingrained habit of English historical writers to attribute the decadence of the Roman Empire to the growth of a proletariat supported at the expense of the state. Without undertaking to examine in detail all the evidence which seems to point to a condition of affairs in Ancient Rome somewhat different from that usually assumed by writers, it may be confidently asserted that it strikingly resembles that of the England of the present day. The popular impression that the masses in Rome were supported at the public expense is certainly erroneous. That there was a large pauper element is not questioned, but that it was relatively larger than that of Great Britain today there is no reason to believe. Nor is there any ground for the assumption that the distributions of corn and oil were made for the purpose of keeping the populace from becoming dissatisfied over the usurpations of the Emperors. There is nothing so well established as the antiquity of the system of gratuitous distribution. "Corn was distributed to the poor of Rome from very early times in the temple of Ceres, under the superintendence of the Aediles Cereales, whose office appears to have been almost similar to that of the

British poor law commissioners.”\* In later times, when, as the result of conquests, Rome was deluged with corn, the Tribunes of the people fixed the price at which it should be sold from the public granaries to the commonalty at a sum equal to about one-half penny a peck. This, we are told, “was only one-fourth the current price,” a bit of information which forces the conclusion that only a limited number of the commonalty, perhaps the very poor, were permitted to buy on the terms indicated, for if the masses could have obtained grain at the price named a current rate four times as great could not have been maintained. Still later, we find accounts of corn distributions which will not permit the assumption that they were as general as has been claimed.

Gibbon relates that “Severus considered the Roman Empire as his property” and that “in the administration of justice the judgments of the Emperor were characterized by attention, discernment and impartiality, and whenever he deviated from the strict line of equity it was generally in favor of the poor and oppressed; not so much, indeed, from any sense of humanity as from the natural propensity of a despot to humble the pride of greatness and to sink all his subjects to the same common level of absolute dependence. His expensive taste for building magnificent shows, and, above all, a constant and liberal distribution of corn and provisions, were the surest means of captivating the affections of the Roman people. The misfortunes of civil discord were obliterated. The calm of peace and prosperity was once more experienced in the provinces; and many cities, restored by the munificence of Severus, assumed the title of his colonies and attested by public monuments their gratitude and felicity.”†

This view of Gibbon may be regarded as the one ordi-

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\*Gibbon, *History of Rome*, foot-note Bohn edition, Vol. II, p. 193.

†*Ibid*, Vol. I, p. 156, Chap. V.

narily accepted, but it will hardly bear analysis. It would not be difficult to believe that an absolute monarch might attempt to maintain his popularity in the capital by showering favors on the subjects in his immediate vicinity, thus preventing seditious uprisings, but no reasonable person will accept the conclusion that Septimus Severus could have stripped the provinces for the benefit of the proletariat of the city of Rome and at the same time secure the gratitude and promote the felicity of the provincials. If, concurrently with the assumed gratuitous feeding of the masses in the capital city, there had been trouble and want in the provinces we might accept the conclusion that it was Roman policy to support men in idleness, but the assertion that calm and prosperity reigned outside of the city forbids such an assumption.

No doubt a more correct view of the corn and other distributions is that they were rendered necessary by the ill workings of an economic system which differs less from that of modern times than is commonly supposed. Although it is assumed by many writers that Rome was a vast hive of drones, there is abundant evidence that it was really a great industrial center and that its poverty was as much enforced as that of the submerged of London. If this was the case we can readily perceive that what is regarded by some as the result of despotism was really the outcome of a policy analogous to that which prompts England to take care of her vast pauper population at the public expense and causes her to contemplate the erection of public granaries. Speaking of the later empire Gibbon says: "Whenever the seasons were less propitious the doubtful expedient of forming magazines of corn, fixing the price and prohibiting the exportation attested at least the benevolence of the state."\* It is possible, however, that benevolence was a secondary motive and that the primary one was the safety of the state.

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\*\*Gibbon, *History of Rome*, foot-note Bohn edition, Vol. IV, p. 271, Chap. 39.

In short, the granaries were a military necessity, and their erection led to the practice of the fixing of prices which descended from very remote times. It is not at all improbable that the Romans might have escaped the injurious effects of Government interference with the operations of the markets if the huge military operations of the empire had not necessitated the adoption of extraordinary precautions to insure steady supplies of food for the armies and for the people whose industries were liable to be interrupted at any time by warlike troubles.

Whether Great Britain's proposed experiment of establishing granaries for supplying the people with breadstuffs in case of an emergency will lead to such results as those described is something the future alone can determine, but that the outcome may prove disastrous to the principle of competition can hardly be doubted. A nation that now gratuitously feeds in public establishments nearly a million paupers may easily take the step of selling at cost or under cost to a distressed people. There is nothing more likely than the adoption of some such plan if the granary idea is resorted to. In that event, should there be an artificial scarcity due to blockade or any other cause, the Government would hardly be able to sell at a profit. Public opinion would not permit such a course. The demand would be for cheapness, and the Government would have to respond to it. The practice once inaugurated, its continuance would be insisted upon, and under the pretense of insuring the people a steady supply of corn the state would become the regulator of prices.

But expedients of this kind will be powerless to avert the effects of the congested condition brought about by the undue stimulus of manufacturing in England. Ancient Rome, in her last gasps, had cheaper corn than the British may hope to obtain, but cheap as food was the Romans were unable to buy it. It has been suggested that where the conditions of a high industrial development exist, as they do

in England, decay is impossible; that a branch here and there may wither, but that the tree will put forth fresh shoots and grow more vigorously than ever. No doubt Sir Robert Giffen holds to this view, as do many other free traders who treat with contemptuous indifference allusions to the injury which English agriculture has suffered, and who answer, when their attention is called to the decline of the British manufacture of silk and linen and the disappearance of sugar refineries from the United Kingdom, that they would not have met their adverse fate unless they deserved it.

Doubtless this method of disposing of the matter seems the proper one to those who still retain the belief that under any and all circumstances the vast quantity of capital accumulated by the British will be used in the promotion of some form or other of English industry, and that the growth of the population of the world, and the development of its vast and varied resources, will always give profitable employment to ingenious Britons. That this view is not sound is suspected by some and will finally be recognized by all Englishmen.

Those who have assumed that the circumstances will always be such that the British will be able to find profitable employment at home for their capital overlook the possibilities that have suggested themselves to Mallock, who, in his discussion of socialistic problems, has admitted that the extinction of England's coal measures would necessarily be followed by a diminution of population. Mr. Mallock speaks of exhaustion, but the practical effect so far as commercial supremacy is concerned will be the same when it is no longer possible for the British to mine coal in competition with other peoples. In that event the result foreshadowed must take place. When England can no longer secure abundant supplies of cheap fuel her trade must decline and "the more energetic of the superfluous inhabitants will emigrate of their own accord," while the propriety of

somehow deporting "the less energetic" will have to be considered.\*

The imminence of this state of affairs has an important bearing on Sir Robert Giffen's assumption that free trade is gaining ground throughout the world. It is incredible that in the face of a condition such as that suggested by observation of the fact that the British coal mines are being worked at a constantly increasing cost the statesmen of other countries should relax their efforts to provide themselves with cheaper supplies of the source of energy. This means that the policy of developing domestic resources by the aid of protection must be continued so that the dearer coal may not, by the adventitious aid of capital, be imposed on countries which have an abundance of undeveloped fuel inviting exploitation and offering profit to those who accept the invitation.

In a recent English review article on the coal supplies of the world the writer, reviewing the progress made in mining by the different nations and the trade in coals, remarked: "As yet the United States have not done much in the way of exporting coal—only two or three million tons per annum, chiefly to Canada and the West Indies; but that is because the increase in production has only kept pace with the domestic consumption. Yet the development has been extremely rapid—from 99,000,000 tons in 1885 to 178,000,000 tons in 1897—an increase of 75 per cent in a dozen years. To put it otherwise, the output of the United Kingdom in 1885 was 159,351,000 tons and in 1897 202,129,932 tons—an increase of 42,778,931 tons. The output of the United States in 1885 was 99,069,000 tons and in 1897 178,000,000 tons—an increase of 78,931,000 tons, or nearly double ours. At this rate of progression there is little room for doubt that the United States will soon take our place as the largest coal producer in the world. And then

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\*Mallock, *Altruism in Economics*, Forum, August, 1896.

America will become our most formidable competitor in the Atlantic, and possibly even in the Mediterranean, coal trade; for it will be as easy to replenish many of the coaling stations and some of the continental ports from Newport News as from Cardiff.”\*

In addition to this information the writer supplies many facts tending to show the general diffusion of coal throughout the world, his purpose being to determine as nearly as possible the extent and nature of the competition which Great Britain must in future expect in the industry of furnishing coal to foreign peoples. Among other things, he found that of the world's coal supply of 574,000,000 tons in 1897 the British Empire furnished 217,000,000 tons, or, say, 38 per cent. “Our only close competitor,” he adds, “is the United States, and, putting aside that country as one with whom, as Mr. Chamberlain says, we ought to combine in bonds of permanent amity, we still have more coal than all the other powers put together. As coal gives sea power our future in the Pacific and in the East depends on the resources of British India, British Columbia and Australasia, and on our relations to the unplumbed depths of the Chinese coal seams, not on the whims and vagaries of Welsh and English colliers.”†

The effect of the waste of energy caused by the exploitation of coal measures for the purpose of stimulating manufactures for export has been described elsewhere in these pages, but the probable result of the competition to which Taylor alludes may be referred to here with advantage. The careful reader of this article will not fail to note that his discussion merely goes to the matter of future sea power and that he fails to consider the question: What will happen when the United Kingdom no longer finds it profit-

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\*Taylor, *The Coal Supplies of the World, Nineteenth Century*, July, 1898.

†Ibid.

able to ship coals to those regions which are now the principal customers for the British coals exported?

If Mr. Arthur Peel, secretary of the British Embassy at Washington, does not exaggerate when he says: "On the one hand, the almost unlimited resources of the coal fields of the United States, the excellence of the quality of coal, the possibilities of greater economy in the system of mining and greater reduction in the cost of freight; and, on the other hand, the immense amount of coal consumed within the United Kingdom, the recent increase in the average of value at the pit's mouth \* \* \* are considerations which tend possibly in the direction of trade relations of such a nature abroad as may result in a great development of the export of coal from the United States,"\* the changes in the coal industry which Mr. Taylor recognizes and describes may operate in a fashion which he does not foresee. These changes will not only greatly interfere with the extension or maintenance of British sea power, but they will make its maintenance unnecessary.

In 1896 the coal shipments of Great Britain constituted 84.7 per cent of the entire volume of British exports. According to trustworthy calculations, these exports formed "over 50 per cent of the tonnage cleared from the United Kingdom."† If the 44,200,000 tons of coal shipped in the year named gave employment to half of the tonnage flying the British flag, and if, as further asserted by an authority previously quoted, a transitory gain of exports in 1896 was almost wholly due to increased shipments of coal, the question naturally arises: What will happen to the maritime industry of England when that country finds it impossible to successfully compete with the United States and other nations in the production of coal? It is a question which answers itself. When that time arrives there will be an

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\*Taylor, *The Coal Supplies of the World, Nineteenth Century*, July, 1898.

Bellairs, *China Mail, Hongkong*, September 18, 1897.



enormous shrinkage of British tonnage. Nothing is clearer than the fact that the immense production of British coal and its distribution has called into existence a vast fleet of vessels, the necessity for which will disappear when American or other coal supplants the product of Great Britain in the markets to which the latter country is now carrying her surplus fuel.

It must be obvious that when the United States reaches that point in coal production which will make it expedient to ship large quantities to foreigners the shipments will be made in vessels built and owned in this country. Whatever may have once been thought of our supposed inability to construct vessels as cheaply as England, all doubts on that score have now disappeared. The fact that we are shipping steel plates to Glasgow, and the testimony of Yarrow, quoted elsewhere, to the effect that the efficiency of American labor and the use of automatic machinery more than compensates for any advantage which the British shipbuilder may appear to have because the wages of his workmen are nominally lower, have completely destroyed the argument in favor of free ships. It is now seen that when the conditions of shipping become so adjusted as to create an enlarged demand for American-built vessels the numerous shipyards in this country, with their constantly expanding plants and growing efficiency, will be able to supply tonnage more cheaply than those of any other country.

The necessity of finding an outlet for the coal which is certain to be produced in excess of the country's needs will bring about the trade adjustment spoken of. When Argentina, to illustrate, finds it more profitable to take the bulk of her coal from the United States than from England she will cease to ship her wool to the latter country. It will pay her better to give the American vessels bringing coal return cargoes. The change thus effected will lead to others. The British vessels carrying the 44,000,000 tons of coal exported to foreign countries in 1896 also carried other

merchandise; when the coal shipments diminish or cease it will be impossible to ship miscellaneous goods on the same favorable terms as at present, and as a consequence Great Britain will have to surrender a large part of that round-about trade which has been so profitable to her and so very unprofitable to those nations who, by competition of this kind, have been deprived of the benefits of direct intercourse with other peoples.

There is one thing which may prove an obstacle to the development of a great ocean carrying trade by a country in which protection has raised the plane of wages. It is referred to by J. Stephen Jeans in his book on the Industrial Supremacy of England, a work rarely referred to by the writer or any one else in these days. Mr. Jeans assumed that the infinitely higher range of seamen's wages paid by Americans would be an effectual barrier to successful competition with foreigners in the oversea carrying trade, but it is quite possible that the same methods adopted to overcome the disparities in wages paid workers in the iron and steel industry of this country may have an equally successful result when applied to ocean commerce.

One of the anomalies of the American protective system is its failure to apply to the shipping industry of the United States the policy which has proved so efficacious in building up a great manufacturing industry. The failure is the more striking because all careful observers regard the neutralization of the practice of foreign Governments of encouraging the extension of ocean commerce by means of direct and indirect subsidies as a condition precedent to the creation of a great American ocean carrying business.

It is possible that this latter assumption may be incorrect, and that we have in our enormous deposits of coal and iron and our facilities for working them on a greater scale and consequently more cheaply than other people, just such an advantage as that which has given the English supremacy for many years. If Great Britain, by reason of

these superior advantages, has been able to whiten the seas with her sails and to darken the sky with the smoke from her coal-burning steamers, what may we not expect to do when our growing capital exerts itself to find an outlet for a productivity which must result from the development of our infinitely greater resources? With iron ores of a higher percentage of purity than those found in any other competing country, taken from deposits of almost inexhaustible extent and extracted at a cost so low as to amaze rivals; with coal supplies so abundant, and the means of getting them to the consumer so well developed that English trade journals admit that "the lowest average of cost of production in the United Kingdom, that of Durham and Scotland, is more than 30 per cent higher than the average of Pennsylvania,"\* and with rolling mills and other appliances for working up iron and steel on a scale hitherto undreamed of, we may succeed in offsetting the lower wages and the artificial aid rendered by foreigners to transportation lines called into existence to assist in finding markets for the surplus products of manufacture of the countries resorting to this policy.

But whatever drawbacks may arise from the failure to meet the subvention policy of foreigners, they will not be attributed by reasonable men to the operation of protection, but rather to neglect of its principles. It is possible that the considerations above advanced may have the effect of inducing this country to persevere in the policy of abstaining from direct efforts to promote the American ocean carrying trade, but it will ultimately be recognized as a mistaken one. The facts set forth in the chapters devoted to exhibiting the economic wastefulness of the system of promoting foreign trade at the expense of the development of the resources of the different countries of the world ought to convince the most obtuse advocate of the theory that the mere ex-

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\*Iron and Coal Trades Review, London, April, 1898.

change of articles is of more consequence than their production that the best interests of mankind would be subserved by a rigorous adherence on the part of the United States to the policy of protection in the matter of ocean shipping. If the efforts of such a policy would be a blessing to future generations of Britons by saving them from the consequences which their scientific advisers say will follow the exhaustion of the coal supplies of the United Kingdom, we ought, as a humane people, to interfere in their behalf. We can best do this by preventing the shipment of vast quantities of British coal to foreign countries, and by causing a diminution of the quantity consumed by English steamers, which can be affected by substituting American for British carriers.

There is no disposition to be facetious in making this suggestion. It is simply thrown out because Sir Robert Giffen and other free traders seem unable to comprehend that by advocating the further extension of British trade they are inducing their countrymen to incur great future inconveniences for a present gain. Their course suggests a paraphrase of the parable of the ten virgins. The day must come when Great Britain will say: "Give us of your coal, for our mines are exhausted," but the competitor may refuse to comply on any other conditions than such as must of necessity bring about the result suggested by Mallock when he declared that if England could not maintain her population of 40,000,000 she would have to deport the surplus and get along with 12,000,000.

These reflections are, of course, incompatible with the ideas advanced by Giffen, but that they are far more reasonable and more accurately foreshadow the trend of future events than his remarks, in which he claimed that Cobdenism had triumphed and that the future would witness a general acceptance of the doctrine of the Manchester school, many of his countrymen orally or by action do not hesitate to admit. That they will all be forced one day to recognize

the indestructible truth that there can be no true gain to mankind through waste is inevitable, and no more convincing object lesson illustrating this observation will ever be furnished than the marvelous development of the resources of the United States under the protective system, an effort to describe which will be made in the next and concluding chapter.

## CHAPTER XXII.

### TRIUMPH OF PROTECTION.

#### THE REMARKABLE INDUSTRIAL RESULTS ACHIEVED BY PROTECTIVE COUNTRIES.

Accumulations of the British likely to prove detrimental to the workingman—Facility with which the British have raised up rivals for themselves by investing abroad—The process of cheapening liable to prove of greater benefit to the rivals of Great Britain than to Englishmen—Change in the character of American exports—The United States as a competitor in the British home market—The effects of a protective tariff on consumption—Enormous increase of the use of iron in the United States—Increased production of manufactured articles since 1840 in protective countries—The addition to the American volume of production between 1860 and 1894 five times as much as that of Great Britain during the same years—The creation of great manufacturing plants results in enormously stimulating consumption—The internal trade of the United States compared with the external trades of the world—The wholesome effects of self-dependence—Present condition of Great Britain—Uninterrupted supplies of raw materials a condition of national existence—Practical invulnerability of a protectionist country with well developed resources—The development of manufacturing did not impede but promoted the expansion of American agriculture—A comparison of the growth of wealth in the United States and in Great Britain—The people of the United States possess one-fourth of all the wealth of the world—Effects of protection on the future of Russia—The true purpose of protectionists—Protection is the economic policy that must endure because it is an eliminator of waste.

No more fitting method of concluding a work which has been largely devoted to the exposure of the fallacies of the Manchester school could be adopted than to show, chiefly

by means of British evidence, that in spite of the vaunted advantages of free trade and the assumed disadvantages of protection the countries which have adopted the latter economic policy have made greater material advances than England, the solitary exemplar, on a scale worthy of comparison, of the doctrine that the exchange of things produced is of more consequence than the production of things exchanged.

In the preceding chapter testimony was presented showing that there is a growing opinion in England that it will be impossible for that country to maintain a population as large as that now inhabiting the British Isles when their coal measures, which have heretofore been the great source of prosperity, are exhausted, or reduced to such a condition that it will be unprofitable to work them in competition with those of other countries whose deposits of fuel have thus far remained practically untouched. While the contingency referred to and its consequences are foreseen and commented upon by Englishmen who are not blinded to facts by an ism, few or none of them, so far as we have observed, have been impressed by the possibility that the phenomenal prosperity of the United Kingdom, which enabled her citizens to accumulate great capitals while other peoples were laboriously building up competing manufacturing industries, will immensely accelerate the industrial decadence of Great Britain.

In another connection testimony was introduced which exhibited the fact that much of this accumulation has been employed to assist in the development of the resources of other and competing countries, and that the earnings of the capital thus invested are often paid in the produce of the country where the investment is made, which produce is shipped to the United Kingdom there to be consumed by British workingmen and the non-producing classes. While the conditions were such as to make it more profitable to import raw materials and food staples of a kind designed

for the consumption of the working classes, this process necessarily redounded to the advantage of British industry. But when the imports into Great Britain ceased to be mostly of that character, and instead of raw materials finished products manufactured in other countries began to be imported in larger and larger quantities, the British workman suffered.

In the chapter in which the decadent industries of Great Britain were discussed it was shown that the annual importations of manufactured goods, which for a long time have exceeded a hundred millions sterling annually, was responsible for the shutting down of many English factories, and that the outlook for additional closures was such as to cause many competent critics to regard the situation as threatening. This tendency to supplant imports of raw materials and staple food stuffs with finished articles of all kinds and food luxuries for the tables of the well-to-do must rapidly increase in the future.

It may seem to Englishmen that the opening of a fresh continent to trade and the exploitation of the Orientals will arrest the tendency, but a little reflection will convince any thoughtful person that whatever advantages might have accrued from these new or increasing fields of trade are more than offset by the enormous increase of manufacturing productivity in other and competing countries. An impartial consideration of all the existing circumstances, not omitting those deemed to be encouraging, leads irresistibly to the conclusion that the future will witness in England a continuous enlargement of the demands of the well-to-do British consumer for foreign goods which will involve a disregard of the needs of the toiling producer. This process will continue until the accumulations of a period of prosperity have been dissipated, and then the United Kingdom will share the fate of other world empires the controllers of whose destinies were unable to overcome the tendency of their dependent subjects to emancipate themselves from a



state of commercial or political bondage. In short, when Great Britain ceases to be commercially supreme she will be unable to hold her possessions.

In these concluding paragraphs the attentive reader will more than once be reminded by the significant facts and figures which will be produced that Great Britain has been impelled by the force of economic circumstances to pursue a course that suggests an indiscretion analogous to that of a country supplying with arms of precision the people of a state she purposes to make war upon. Comparisons of this kind, we know, are distasteful to free traders, who seek in defiance of the teachings of history and existing circumstances to maintain that commerce implies peace and good will, but their objections will not detract from the truthfulness of the assertion that the freedom with which the British have loaned their capital to foreigners for the purpose of promoting rival industries is certain to prove as destructive to British commercial supremacy as the act of the Spanish conquistadores might have proved to their rule in Mexico and Peru had they supplied the natives of those countries with firearms and taught them their use.

The impulse to employ capital is irresistible, and as profitable results may follow its employment by a rival who borrows it as when it is used by its possessor. The English have invaded this country with their accumulations and have thereby been largely instrumental in promoting the development of its resources. They have assisted in making waste places fertile, and we have repaid them by making agriculture an unprofitable pursuit in England. It is true that the flood of cheap products with which we have deluged Great Britain has given the workingman cheap bread and cheap meat, but it has also intensified the severity of the struggle which has for a long period marked the getting of food and raiment by the English masses by releasing from the soil a large contingent of toilers who have pressed into the towns as their only refuge from starvation. The

English have also assisted us to create our great manufacturing plants, and now we are about to pay the interest on the capital loaned to us, and after awhile the principal, not with raw materials and food products, but with manufactures of iron and steel, with textile fabrics and with finished articles of all kinds.

We shall do this because in the near future we shall be better able to spare finished products of manufacture than our raw materials, which we will find it more profitable to work up than to ship, or our food stuffs, which we will need to feed our constantly increasing army of workingmen. In the development of the cheap loaf theory the Cobdenite lost sight of the fact that in the last analysis bread must be cheaper near the wheat field than it can possibly be in a country that derives its supplies from fields three thousand or more miles distant from the consumer. So intent were the followers of the Manchester school upon promoting cheapness that they ignored the possibility of the condition inuring more to the benefit of the foreigner than to Englishmen. That this was not the object of the Cobdenites we may be assured, for after all that is said and written on the subject we are forced to believe that the true aim—and natural enough it was that it should have been so—of intelligent British free traders was to promote the interests of the United Kingdom. Britons were to be the chief beneficiaries of the policy; others would share in the benefits, they said, and many of them no doubt believed this, but outsiders, in most English minds, were merely to be hangers-on to the fringe of British prosperity.

The failure of the rest of the world to accept a secondary role has destroyed all the calculations of the Cobdenites. The tenacious adherence of Americans to the idea that it is the part of wisdom to develop all the resources of their country, by calling into existence a vast manufacturing industry, has raised up an enormous and constantly increasing mass of consumers, who are rapidly reaching a stage

when they will outbid foreigners and make it impossible for the latter to buy the products of American soil. This is merely another way of stating the economic probability that in the near future the American consumption of raw and food products of the United States will be abreast of production. The prediction has been frequently made recently that in a very few years the population of the United States would be sufficiently great to absorb the wheat crop of the country, and it deserves respectful attention, because it is based on careful calculations which take into consideration all the possibilities of increased tillage and improved methods of culture.\*

When the time arrives to which Davis and others who have studied this phase of economics look forward, the embarrassments under which Great Britain labors as a manufacturing country will be increased to such an extent that competition and the preservation of the British home trade will be entirely out of the question. It will then be more profitable for the British owners of capital to receive what is due them from Americans in the form of manufactured goods rather than rude products, because it will no longer be possible for England to manufacture in competition with the country which has raw materials and food supplies at its doors. Then the cheaper loaf and the cheaper raw materials of the United States will play their part in giving to this country commercial precedence over England.

That the conditions which will bring about this change have been operating for some time will be inferred from facts which have been adduced elsewhere, but as yet a mere beginning has been effected. Up to this time the United States has been able to produce immense quantities of food stuffs which her people have been unable to consume, and

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\*Davis, *New York Sun*, May 6, 1894; same author, *Forum*, October, 1897; also address of Professor Crookes, opening of the British Association; Warren in *Westminster*, January, 1899, article, "The United States Export Trade."

her manufacturing requirements have made no serious draft upon the domestically produced raw material of the most widely used textile of modern times. But, as is now clearly seen, there will be a rapid change in the near future which will result in the absorption of our food supplied by domestic consumers, and our raw cotton will be worked up in American factories. Concurrently with the development of the latter industry we may reasonably expect to witness the expansion of the manufacture of what may be termed fine machinery and tools and instruments of precision, which has already gained considerable importance, as the tables of American exports show.

In 1897 there were shipped to foreign countries type-writing machines to the value of \$1,902,153; bicycles, \$6,846,529; sewing machines, \$3,136,364, and scientific and electrical instruments to the amount of \$2,770,803.\* When these figures are supplemented with the statement that nearly one-third of the \$14,655,849 which the above items aggregate was shipped to Great Britain the significance of the trend will be apprehended.

That this is not a temporary manifestation of energy on the part of Americans which British manufacturers may hope to see abated, or the outlet for it diverted in some other direction, is recognized by competent English trade critics, who frankly admit the difficulties which confront their countrymen and no longer attempt to delude themselves with the worn-out Cobdenite sophistry that protectionist countries must find it impossible to compete with a free trade nation like England because of the assumed dear condition which the protection policy is supposed to bring about. The true situation is now perceived and leading journals devoted to special and general trade interests in England openly admit that the competition of protective America is to be dreaded.\* The Hardware Record (London) said

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\*Report of Bureau of Statistics, Treasury Department, 1898.

in 1898: "Great Britain will have to make up its mind to see a good deal more of the American in our markets than has been the case hitherto. Trade is so good in the States at present that all the available productive power is required for home demands, but several manufacturer friends who have just returned from the States, where they have been on business tell our Sheffield correspondent that manufacturers there are so largely increasing their output that they will promptly overtake home requirements and enter vigorously upon European markets. 'You will soon have us over amongst you,' said one large producer to a Sheffield manufacturer, 'and I will show you several of the lines in which we intend to do business.' These lines included bright drawn steel and all the cheaper grades of steel, brass rods, files, small malleable iron castings, automatic machinery for all purposes, steam (India rubber) hose piping and other goods. These were invariably from 25 to 50 per cent cheaper than the prices quoted in this country. It will not do to say that the quality is inferior, for at two establishments in Sheffield where American articles are being used in increasingly large quantities the workmen prefer both the raw steel and brass suitable for working automatic machines, and also the files and the malleable iron castings. It is quite clear that American competition is going to be far more severe than it is at present."

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\*UNITED STATES IMPORTS AND EXPORTS OF MANUFACTURED ARTICLES.

Year.	Imports.	Exports.	Year.	Imports.	Exports.
1880....	\$268,333,432	\$102,856,015	1890....	\$346,638,654	\$151,102,376
1881....	284,763,615	114,233,219	1891....	368,225,181	168,927,315
1882....	322,036,663	134,794,346	1892....	316,092,469	158,510,937
1883....	337,264,528	134,228,083	1893....	356,866,396	158,023,118
1884....	304,352,393	136,372,887	1894....	234,139,173	183,728,808
1885....	265,704,352	147,187,527	1895....	317,257,176	183,595,748
1886....	285,050,564	136,541,978	1896....	328,937,528	288,571,178
1887....	306,030,440	136,735,105	1897....	327,324,920	277,285,391
1888....	324,823,601	130,300,087	1898....	226,212,635	291,208,358
1889....	328,629,989	138,675,507			

The testimony of this journal respecting the esteem in which American manufactured articles is held by British workmen may be supplemented from a hundred other sources and is abundantly corroborated by the statistics of exports of American edged and other tools to England, where they are rapidly superseding the more cumbrous articles produced in British factories, their handiness and cheapness causing the demand for them to continually increase. The growing export trade in such intricate machines as locomotives is strong testimony to our ability to manufacture and sell more cheaply than any of our competitors. A writer who recently discussed the favor accorded American machinery by foreigners says "the principal demand for American locomotives for export lies in the relative cheapness of our engines and their adaptation to the conditions of the roads on which they are to be used. An American firm not long ago," he adds, "submitted figures on a locomotive the specifications for which were prepared in England, and it was found that they could turn out for \$10,000 work which in England would cost \$14,000. This improvement is brought about partly by improvements in factory methods and partly by degrees of finish. \* \* \*

As against nine or twelve months required by English or German shops to turn out a finished engine, American works rarely require more than two months, and large engines complete in every detail have been turned out in four weeks on rush orders."\*

Details such as these might be multiplied indefinitely, but enough have been supplied to clearly establish the fact that the invasion of foreign countries, and particularly of Great Britain, by our manufacturers is proceeding rapidly, and that the process is likely to be accelerated rather than retarded in the future. Not only has the unprotected British toiler to dread the competition from this side of the

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\*Commercial Advertiser, New York, January, 1898.

water—the effectiveness of which, for the present at least, depends almost wholly upon accessibility to cheap and abundant supplies of raw materials, the control of an enormous home market, and a remarkable adaptability on the part of American workingmen which make the use of automatic and other labor-saving devices come easy—he has also to reckon with the near-at-hand continental populations and their lower wages based on a lower standard of living, which will probably not be materially raised without correspondingly lowering that of the English workingmen.

What the result will be when the English workingman realizes the cause of the pinch to which he is subjected will soon be disclosed. Mr. Mallock, by indirection at least, assumes that the solution of the difficulty will be a voluntary emigration or enforced deportation of the surplus population, the implication being that the free emigrants would be people who found themselves unable to earn a living on British soil, but who still possessed enough means to remove themselves to another and less congested country. But there is a contingency which Mallock and others who have studied the subject from the free trade point of view have overlooked, but which does not seem improbable when all the circumstances are taken into consideration. It is not unreasonable to suppose that the sentiment which finds expression in such a book as "Made in Germany" may grow to such an extent that the English masses may insist upon the imposition of a protective tariff which will have the effect of restraining the large and growing imports of manufactured goods into Great Britain.

Such a demand, if once urged in earnest by English workingmen, cannot well be met by stale arguments in favor of the cheap loaf. Such appeals may be replied to by a demand for the retention of the free loaf, accompanied by insistence upon the necessity of highly taxing those things which are more largely consumed by the well-to-do classes.

If their manufacture is to be continued in England this course must be pursued.

There will be no lack of evidence to prove the imminence and the extent of the danger, but it will be difficult to adjust so delicate a matter as that involved in deciding the question whether the manufacturing industries of Great Britain shall be allowed to perish or whether it will be advisable to place a prohibitory tax on the returns from investments made by Englishmen in foreign lands.

This is the problem which will confront Great Britain, and it has some features that make it seem unique, although there are facts related by classical writers suggesting that Ancient Rome suffered a similar experience. But whether it is an entirely novel situation or not, it must be evident to any one who will give the subject the attention it deserves that in the near future this and some other countries will find it more profitable to pay their obligations to Englishmen in finished manufactured products than with raw materials or supplies of food.

This proposition seems an elementary one when the data showing the enormous development of manufacturing countries which may be counted as rivals of Great Britain are considered. They exhibit a progress so much beyond that made by the United Kingdom in recent years that it is impossible to escape the conclusion that the future will show a still greater development, which, combined with the causes that must compel retrogression in England, will make that country take a position commensurate with her area and present resources. These data will also show what we have sought to make clear in these pages—that the extraordinary efforts resorted to by protective nations to share the prosperity enjoyed by Great Britain, which resulted from the advanced condition of her manufacturing industry at a time when the world felt the reviving influence of the gold discoveries in California and Australia, have materially benefited mankind by widely diffusing the advan-



tages of accessibility to the workshop, thus stimulating the consumption of articles the use of which would have been greatly restricted had the people of the world remained dependent upon the British for their supplies of manufactured goods.

The student of economics, keeping in mind the axiomatic statement of Smith that a great quantity of rude products is always exchanged for a very small quantity of manufactured articles, will without difficulty apprehend the force of the figures which show that in 1840 the total value of minerals mined throughout the world was £31,500,000, and that in 1894 it had increased to £302,000,000, while the number of tons of minerals raised had increased during the period from 56,200,000 in the first named to 746,000,000 in the last named year. It would be superfluous to enter into elaborate calculations to determine the increase in per capita consumption during this interval, because the average would not truly represent the changed conditions, as so many nations have utterly neglected the development of their resources. But it is necessary, in order to correctly convey what this tremendous increase signifies to the people who assisted in promoting it, to show that since 1840 nations whose people were insignificant consumers of iron in that year have brought their consumption abreast of that of Great Britain. The United States is perhaps the most conspicuous example of this remarkable change. In 1830, according to the best available statistics, the consumption of iron in this country was 35 pounds; in 1850 it was 56 pounds; in 1870 it had increased to 100 pounds; in 1898 it will nearly reach 350 pounds.

The statistician Michael Mulhall, upon whom we chiefly depend in this resume because he will not be suspected of protectionist bias, his work being authoritative in free trade England, tells us that: "The production of iron in the United States multiplied exactly fiftyfold between 1830 and 1890, amounting in the latter year to 9,200,000 tons,

a quantity far in excess of the production of any other country."\* But this does not bring into relief the fact we wish to emphasize half so strongly as his additional statement that the production of iron ore, which amounted to only 6,400,000 tons in 1840, in 1894 had reached 53,000,000 tons, the gains of the different nations being as follows :

	Tons, 1840.	Tons, 1894.
Great Britain .....	3,500,000	12,400,000
United States .....	500,000	17,000,000
Germany .....	400,000	12,400,000
Other states .....	2,000,000	11,200,000
Total .....	6,400,000	53,000,000

The reader who will recall the circumstances related in another chapter, that whenever an extraordinary demand for iron asserted itself during the period when the United States and other countries were wholly dependent upon England for their supplies of that metal the manufacturers of the latter country immediately advanced prices to an almost prohibitory point, will at once perceive that the enormous consumption now noted is chiefly due to the growth of the iron industry in countries that resorted to protection. It is possible that England, in the event of the failure of these new rivals to develop a home manufacture, might have increased her output of iron to a greater extent than she has since being subjected to the rivalry spoken of, but it is apparent that the increase of the world's product would have been comparatively slow without the assistance of the United States and Germany.

As has been shown elsewhere, even at her present rate of pigiron production England is compelled to depend largely upon Spain and Sweden for ores, a necessity which would have hampered the extension of the industry, not to speak of the waste that would have been incurred in hauling the raw material to points where the natural facilities are not

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\*Mulhall, Industries and Wealth of Nations, 1896.

much better for the manufacture of iron than in the countries from which the ores are obtained.\*

While the progress of the rivals of Great Britain has not been uniform in all branches of manufacturing industry, it has been sufficiently pronounced in every field to demonstrate beyond the possibility of doubt that it will be impossible for the British under any circumstances to retain a monopoly in any line. In 1840, according to Mulhall, the value of the world's output of manufactures was £1,810,000,000; in 1894 this value was increased to £5,518,000,000. These totals are not nearly so striking, however, as the details, which show that while the United Kingdom increased her output in the latter over the former year by £489,000,000, her rivals advanced from a production of £1,432,000,000 in 1849 to £4,642,000,000 in 1894, an increase of £3,219,000,000, or nearly sevenfold as much as the British increase of output during the same period. In 1840 the manufactured products of the United States were only valued at £96,000,000; in 1894 they reached the astonishing value of £1,952,000,000, an output twice as great as that of the United Kingdom.

A specially significant feature of these changes is the fact that Great Britain showed an expansion of output between 1840 and 1860 amounting to £190,000,000, against an increase of only £105,000,000 in Germany during the same period. Between 1860 and 1894, however, while the British increase was £299,000,000, that of Germany was nearly as great, the addition of output for the latter being £280,000,000. In the first period Great Britain gained £85,000,000 more than Germany; in the second period her gain exceeded that of Germany only £19,000,000. The gain of the United States between 1840 and 1860 was £296,000,000—less than double the British gain; but in 1894 the

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\*J. Stephen Jeans has recently stated that the severe competition in the iron trade may induce capital to consider the propriety of establishing rolling mills, etc., in the vicinity of the Spanish deposits of ores.

United States exhibited an increase over 1860 of £1,562,000,000, or five times as large an addition to her production as England had made during the same twenty-four years.

It seems a work of supererogation to point out that this phenomenal diffusion of industries between the years 1840 and 1894 must have effected a great change in the habits of life of the people most directly affected by it. The curious inquirer, if he examines into the matter, will find during the earlier years of the fifty-four under review that the consumption of manufactured articles in Great Britain was enormously in excess of that of any other country. Observers of the fact have explained it by assuming that the greater wealth of the English enabled them to consume more abundantly than others, but they have avoided dwelling on the causes which promoted accumulation and permitted a concurrent high expenditure. These causes have been explained at length elsewhere; therefore it is only necessary to make passing allusion to them here and to state that when Americans were unprovided with an iron and steel industry commensurate with their needs their consumption of those metals was insignificant by comparison with the quantity consumed in Great Britain. As late as 1870 the average per capita consumption of iron in the United States was 100 pounds; in the same year it was estimated to be 300 in Great Britain. Since that date the per capita consumption of metallic products in the United States has been increased to a figure higher than that of the United Kingdom. That result was accomplished by stimulating the development of our resources and by creating manufacturing plants surpassing in magnitude and in productive effectiveness those of Great Britain.

It would be a grave omission to fail to dwell on the significant circumstance that when the American consumption of manufactured articles was lightest we were pursuing the course which all free traders united in assuring us would be conducive to our greatest prosperity. In 1850,

when our consumption of pigiron was only 56 pounds per capita per annum, against a nearly fivefold greater consumption in England, the United States was famous throughout the world for its marvelous agricultural progress. Although the accomplishments of the years preceding 1850 have since been greatly surpassed, there was no question raised during the earlier period which suggested that Americans were not making the best possible use of their soil. They were bringing it under cultivation with such rapidity that tributes to the energy of the American farmer were common in the old world.

If any particular period of our agricultural history was to be designated by the economist as the golden one he would probably single out that embraced in the years between 1848 and 1857. But there are facts which make against the accuracy of such an assumption. Among them are those which show that while Americans during the years named enjoyed a rude plenty—an enjoyment which was frequently interrupted, as we have pointed out in other parts of this work—they lacked many of the comforts which had become so common in England, which country was at that time the highest type of an advanced manufacturing community.

The slow progress in the rate of general consumption during these so-called years of agricultural prosperity forcibly illustrates the effects of the law emphasized by Smith that a great quantity of the rude products of the soil or the mines must be exchanged for a very small quantity of manufactured articles. It also warrants the conclusion that an adherence to the policy recommended to us by the Manchester school would have resulted in a permanently low rate of manufactured articles in the United States. Any advantage that might have resulted from the exclusive devotion of Americans to agriculture must have been reaped by the manufacturing countries of the old world.

No careful student, in the face of the figures of the world's progress in manufacturing since 1860, and espe-

cially those illustrating the advance of the United States, will venture to assert that the condition which Mulhall says existed in 1888, when the value of textile fabrics consumed in Europe was \$5.95 per capita per annum, as against \$11.40 per capita per annum in the United States, could have been brought about had this country restricted its energies to the development of agriculture. Nor would he care to express the belief that if Great Britain had retained her overwhelming preponderance in the cotton manufacturing industry the 60,000,000 people living in the United States in the year mentioned would have been able to consume more cotton fabrics than the 120,000,000 inhabitants of the United Kingdom, France and Germany.\*

In whatever aspect we view the enormous changes in rates of consumption we are compelled to recognize that they are chiefly due to the artificial stimulus given to production by nations which, according to the theories of the Cobdenites, would have been more profitably employed in promoting the development of their agricultural resources. Doubtless there have been inventions which have contributed to the result, but the fact must not be lost sight of that the most far reaching of all the devices tending to increase the ability of man to produce antedate the abrogation of the corn laws, and that a great number of the most valuable labor-saving contrivances owe their existence wholly to the high rate of compensation demanded by workmen in protective countries, which has compelled employers to avail themselves of every possible opportunity to substitute automatic machinery in the place of human energy. If we compare the progress made in manufacturing during the seventy-five years preceding the repeal of the corn laws with that made since 1846 we will discover that although some of the most revolutionary inventions fall within the first period the advances made were feeble compared with

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\*Mulhall, Dictionary of Statistics.

the vigorous forward strides of the last quarter of a century during which protection has had its greatest development.

It is sometimes contended by the free trader that the extraordinary increase of consumption which has been so marked a feature of recent years is more particularly due to the extension of external transportation facilities than to any other cause. That the result we are discussing was contributed to by enlarging the opportunities of intercourse between nations no one will deny, but that it played as prominent a part as those claim who assume that the only valuable trade is that which is purely external in character is a fallacy. This will be recognized by anyone who will note that in the year 1894, when Mulhall credits the United States with a domestic production of manufactures valued at £1,952,000,000, the whole of the vast output was practically consumed within the borders of this country, our exports of wholly manufactured articles in the year named being valued at less than £40,000,000. Our imports of manufactured products in 1894 exceeded the volume of exports of manufactures, but during the year 1898 American exports of manufactured articles exceeded its imports of manufactured articles.

The reasonable inference from this showing is that the great increase of consumption of manufactured articles which this country has witnessed during recent years is due to the bringing together of workshop and farm. The proximity of the two proved conducive to the expansion of demand. The facilities for purchasing, so greatly multiplied in the cities, induce people to buy who would not do so if the wares were not easily obtainable. In the same way the presence in a country of iron and steel works or of textile factories promotes the consumption of their products.

The influence of the factor of proximity can hardly be overestimated. In an interesting discussion of the causes which conspired for a long time to keep the American consumption of sugar at a very low per capita average, the

writer for an English trade circular pointed out that it was chiefly due to the inaccessibility of supplies. He was led to this conclusion by the observation of the fact that in recent years, since the more complete penetration of all parts of the country by transportation lines, the consumption had increased with great rapidity.\* The force of his arguments cannot be minimized by reference to the recent great cheapening in the price of the commodity mentioned, for he produces abundant evidence to show that the movement in the direction of increased per capita consumption was more marked before the removal of the American duty on sugar than afterward. And his observation is corroborated by the fact, which he noted later, that the consumption of sugar in the United States fell from 2,012,729 tons in 1894 to 1,945,406 tons in 1895, although the latter year showed a lower range of price than the former.†

That the cheapness of a commodity affects its consumption no one will deny, but that there are other factors which operate powerfully must also be admitted. We have the authority of an American free trade paper of great prominence for the statement that the American people do not object to high prices when industry is flourishing. The writer said: "The records of the rise in wheat make pleasant reading. High wheat makes high flour, and that makes dear bread, but none seems to be thinking of that. The all but universal sentiment is satisfaction in any legitimate condition of the markets that will help the farmers."‡ There is no necessity for inquiring into what prompted this admission. That it expressed the sentiment of the American people at the time the paragraph was written is indisputable. It reflects the feeling entertained at all times in this country that nominal prices cut no figure in the determination of the standard of living of the working classes. Americans

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\*Willett's and Gray's Statistical Review, London, 1894.

†Ibid, 1896.

‡Harper's Weekly, December 11, 1896.



are agreed that things are only cheap when the toiler can obtain them and that they are dear when they are out of his reach, no matter how apparently abundant they may be or how low the price mark on them is.

That the condition of accessibility has been produced by the protective policy in this country and that the system has operated to bring about a similar result in Germany, on a less pronounced scale perhaps, has been amply demonstrated in these pages. That it will be more largely developed as the wasteful tendencies of external trade are diminished by the force of circumstances there is every reason to believe. If the rate of progress toward self dependence which the past quarter of a century has witnessed is maintained, it is obvious that in the near future there will be a material abridgment of the unnecessary hauling to and fro which has heretofore characterized what is known as foreign trade, and a consequent saving of human energy and of the energy-producing fuels. That mankind will be a gainer from such a change our own ample experience abundantly illustrates.

That in the readjustment of relations, or of commercial relativity, peoples that have prospered under the wasteful system heretofore in vogue will suffer there is no doubt. But the history of the world teems with stories of the ups and downs of nations, the most of them traceable to commercial vicissitudes. No one will, however, assume on that account that the changes were not for the best. Looking down the vista of the past we note the rise and decay of the Phœnician cities; then the disappearance of the mighty empire of Rome, whose downfall was as much due to commercial rivalry as to any other cause, attracts our attention; still later we see the Italian commercial cities flourish and go to seed, while the seat of exchange is transferred from the East to the West. The whole panorama suggests the blossoming burgeoning, fruition and decay of nations.

The marvelous results that followed upon the finding

of a new route to the Orient and the discovery of America have been so well described by other authors it would be superfluous to recapitulate them here. But astounding as they are when viewed from the standpoint of the economist, who attributes them almost wholly to the interchange of commodities between nations, the achievements of the past may easily be dwarfed into insignificance if the awakening, so confidently predicted by many observers, takes place in the far East and the disposition so pronounced in recent years of nations aiming at self dependence is accelerated.

That there will be no abatement of this latter predilection we may rest assured. As people grow in intelligence their fear of phrases is lessened. There was a time when the Cobdenite could divert sensible men from the practical purpose of developing the resources of this and other countries by talking about "Chinese walls," but now the fact is recognized clearly that the interposition of a tariff barrier has not the effect described, but, on the contrary, has a tendency to promote a really profitable external intercourse—that which results from the exchange of articles of a non-competing character. But, more important than all, protection develops the faculty which is the greatest factor in human progress—self help. A protective policy, by arbitrarily depriving the people of a country of the privilege of depending on the people of another country for those things which may as well be produced at home, performs a function analogous to that of the careful parent who inoculates habits of self reliance in his children and who teaches them to avoid effeminacy by compelling them to acquire the ability to do for themselves. A nation with undeveloped industries that accepts the doctrines of the free traders and inculcates the idea of dependence on foreigners is sure to fill no better place in the world's commercial economy than that singular product of an effete civilization known as a "dude" occupies among verile men.

It is assumed by historical critics that the misfortunes

of many of the commonwealths of antiquity may be traced to the pusillanimity of the rich, but a careful consideration of the causes which led to the undoing of some of the most conspicuous examples suggests that it was the vulnerability of the wealth, and not its mere possession, that was responsible for the disaster which overtook so many great nations. A statesmanlike fear of the consequences of an unstatesmanlike economic policy may easily be mistaken for the cowardice of wealth. The undoubted aversion of most Britons for war is frequently characterized as an instance of the till of the shopkeeper dictating the policy of the nation, but a country whose population demands a vastly greater quantity of food than its agriculturists can supply, and whose manufacturers are dependent upon foreigners for raw materials, must ever be the victim of apprehensions of this kind. Empty warehouses and granaries in such a country are not merely a menace to wealth; they threaten the national existence. A country like Great Britain must have grain and other food to eat, but above all things her people must be permitted to work. If their supplies of grain are interrupted they must suffer, and if they have no raw materials to work up, want, misery and starvation will be the fate of many.

No such misfortune can hinder the career of a nation which steadfastly adheres to a policy of self sufficiency. The development of a protectionist country with manifold resources results in the accumulation of vastly greater stores of wealth than could possibly be gathered in a dependent country, and, when created, the wealth of a protectionist nation is practically invulnerable. The great manufacturing plants of a country of the magnitude of the United States are subject to certain economic vicissitudes, but they can never be brought to a standstill by a blockade. The iron and steel mills, the textile factories and all the great staple industries of this country would flourish if the seas were alive with the craft of enemies. No fear of empty granaries or apprehension of a cotton famine would conspire

to prevent the assertion of national dignity. And while no American statesman would court a war with a foreign nation or nations which would interrupt external commerce, there is none who would feel it incumbent to submit to national insult to save the whole of our ocean borne commerce.

This security has been obtained by following the precepts of Washington, whose views respecting the development of the national resources were shared by all thoughtful men of his day. By adhering to the principle of self sufficiency the United States has made itself the wealthiest nation on the globe. Undeterred by the assertions of the closest economists, who taught that the attempt to create a manufacturing industry by artificial means in a country of great natural fertility would result in diverting from agriculture the capital needed for its development, thus impeding progress in one direction and missing it in the other, American statesmen have worked steadily toward the goal of national commercial independence.

We have shown elsewhere that the prediction that it would be impossible by artificial means to call into existence a profitable manufacturing industry has been falsified, as the result of the protective policy has been to give us in many respects the most efficient manufacturing plant in the world. Mulhall emphasizes this statement when he says that "the value of American manufactures is equal to the value conjointly of British and French manufactures," and that "American manufactures have multiplied just twentyfold since 1840, while those of Europe have only doubled."\*

While this great manufacturing industry was in process of creation instead of diverting capital from the development of agriculture there is a consensus of opinion that the artificial system of promoting manufactures contributed more to the rapid opening up of the fertile lands of the United States than any other cause. While British agriculture has

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\*Mulhall, *Industries and Wealth of Nations*, 1896.

been prostrated, owing to the policy of promoting one industry at the expense of others, in the United States the symmetrical application of the protective tariff has so enormously increased the output of food and raw products as to practically revolutionize the condition of the masses of workers throughout the world and has incidentally convinced the major part of mankind that the methods of antiquity, which might have been pursued to the end of all time, could profitably be changed. By bringing field and factory together the farmer has been taught that agriculture need not be a stationary art. "If the economy of labor was as well understood in all countries as in the United States," says Mulhall, "where each hand cultivates twenty-one acres, the tilled area of Europe would be two and one-half times as great as it is."\*

In the face of such a tribute as this and of the testimony that the value of American farm products has increased from £180,000,000 in 1840 to £813,000,000 in 1893, the latter amount representing "one-third of the food product of the world,"† no one will venture to say that the artificial encouragement of manufactures in the United States has retarded the expansion of agriculture. While we were building up a manufacturing industry surpassing in magnitude that of all other competitors "the growth of agriculture was so great as to be without parallel in any age or nation." In 1840 our production of the cereals—wheat, maize and oats—reached 15,400,000 tons; in 1895 the product was 89,400,000 tons. "The grain crop of 1895," says Mulhall, "was equal to eight tons per hand employed in farming, the average in Europe being two tons; the superiority of the American agriculturist being due to improved machinery."‡

It would have been extraordinary if the industrial achieve-

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\*Mulhall, *Industries and Wealth of Nations*, 1896.

†Ibid.

‡Ibid.

ments above recorded had not enormously increased the national wealth of the protected country. The authority we have drawn upon permits us to make a resume of the growth of wealth in the United States which is both interesting and instructive. He thus presents the stages:

Year.	Population.	Amount.	Per capita.
1850.....	23,200,000	£ 1,486,000,000	£ 64
1870.....	38,600,000	5,010,000,000	130
1890.....	62,600,000	13,550,000,000	216
1895.....	69,700,000	16,350,000,000	234

The figures showing the expansion of British wealth presented by Mr. Mulhall do not permit the paralleling of this table, but he tells us that in 1860 the wealth of Great Britain was £7,206,000,000 and that in 1895 it had increased to £11,806,000,000. This shows an increase of £4,600,000,000 in thirty-five years, whereas the increase in the United States during the twenty-five years ending with 1895 amounted to £11,340,000,000, the addition being nearly as much as the total wealth of Great Britain in the last year of the period.”\*

According to the same authority the total wealth of the world in 1894 was £69,769,000,000, and the United States stands credited with nearly one-fourth of the whole amount. This country may therefore be regarded as the most extraordinary exemplar of the magnificent results of self dependence, but it would be a mistake to assume that other protectionist states have not greatly increased their stores by the same methods as those pursued in America. In 1894 France was credited with wealth to the amount of £9,690,000,000; Germany with £8,052,000,000 and Russia with £6,452,000,000. The latter country has recently embarked on a career which, if not arrested by an unfortunate war, must soon place her in the foremost rank of nations. Her illimitable resources are being systematically developed and her prod-

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\*Mulhall, Industries and Wealth of Nations, 1896.

ucts are steadily increasing in volume and value. The effects of material prosperity are visible on every hand, and the creation of a great manufacturing industry promises to do more for the political salvation of the empire than centuries of revolution and nihilism could accomplish. By diffusing the industrial arts throughout Russia the Government is paving the way for a more liberal system, which will ultimately give the masses a voice in its councils. Thus the protective system will have had the effect of increasing the material prosperity of a people and of securing their political advancement.

The facts presented in the foregoing pages must, if properly interpreted, lead to the conclusion that the policy of artificially stimulating industries is beneficial to mankind, and that none of the injurious effects which Cobdenites say its adoption entails have been felt, simply because there is no foundation for the assumption that practical men in any country would for any considerable period attempt to carry on an industry at a loss. The free traders have erroneously assumed that protectionists advocate acting in defiance of nature, and have deliberately refused to recognize that the eminently sensible object of protection is not to impede production, but to cause those things which may as readily be manufactured or raised at home as abroad to be produced within the national boundaries. The long history of tariff legislation in the United States may afford some instances of attempts to encourage industries incapable of being profitably domesticated, but where one mistake may be cited a score of successes can be set to the credit of the system. It may be added that when a mistake is discovered by protectionists it is not persevered in.

Judicious protection—and by that we mean well considered efforts to promote and maintain domestic industries in countries with abundant resources—must necessarily work as described in these pages. It cannot help calling into existence manufacturing industries and assist in maintaining

them after they are created. By so doing it affords opportunities to the people of a country to find profitable employment and to accumulate wealth. But above all things it is the great minimizer of waste energy. By bringing field and factory together it tends to the elimination of all superfluous hauling to and fro, and thus cheapens products and makes them more accessible to the masses than they could possibly be under a system which practically elevates trade above production. Cobdenism has this inherent defect that it considers the exchange of commodities as more important than their production. The aim of protection is to promote production and to avoid waste, therefore it is the economic policy that must endure.

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