DIXWELL — THE PREMISES OF FREE TRADE EXAMINED

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BY

GEORGE BASIL DIXWELL.

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THE PREMISES OF FREE TRADE EXAMINED.

As the text-books from which political economy is taught in most of our colleges are generally by English authors, or by Americans who have adopted the English views, it is not surprising that we should meet with a great many highly educated men who believe the trans-Atlantic ideas to be invulnerable. They have been taught that economical phenomena are too complex to be investigated by the *a posteriori* method, and that nothing can be relied on but reasoning from assumptions; and they have accepted with delight certain most attractive argumentations, in which the wasteful futility of protection appears to be demonstrated, just as the mathematician demonstrates that the three angles of a triangle are in all cases equal to two right angles. But deductive reasoning has its own liability to error. Very eminent authors may change the *subject* or change the *premises* or reason from an apparent *axiom*, which upon careful examination is found little better than a blunder, or an identical proposition. The writer believes that all these logical faults are to be found in the supposed demonstrations above alluded to; and he proposes in this paper to point out a few of them, in the hope that some able minds may be led to review their conclusions, and to read or read again, with a candid spirit, what has been urged by Rae, Phillips, Carey, List, Bowen, Seaman, Thompson, Greeley, E. P. Smith, Kelly, Elder, and many others who have written in favor of protection.

Let us first examine Mr. J. R. McCulloch's apparent demonstration that absenteeism is not financially injurious to a country. He argued in this way: —

1st. "We get nothing from abroad except as an equivalent for something else; and the individual who uses only Polish wheat, Saxon cloth, and French silks and wine, gives, by occasioning the exportation of an equal amount of British produce, precisely the same encouragement to industry here as he would give were he to consume nothing not directly produced among us. The Portuguese do not send us a single bottle of port, without our sending to them, or to those to whom they are indebted, its worth in cottons, hardware, or some sort of produce; so that whether we use the wine or its equivalent is, except as a matter of taste, of no importance whatever."

But if it be indifferent whether an Irish landlord residing in Dublin consumes an Irish or a foreign product, it is evidently indifferent whether he consumes the one or the other in Dublin or in Paris. Therefore, absenteeism, as far as its financial effects are considered, is a matter of entire indifference to the Irish people.

If the premises be correct, the conclusion appears to be inevitable; but in this, as in other cases, where the result of reasoning contradicts the almost universal opinion of mankind, it is well to look again very closely at the premises. Let us do this, and, in order not to perplex ourselves by interposing money, let us suppose that the annual produce of the land of Ireland is equivalent to 30,000,000 bushels of wheat, and that the landlord's portion for rent is ten per cent, or 3,000,000 bushels of wheat. If this ten per cent of the rude product of the land be sent off in the form in which it is raised, it is evident that it might as well be burned, as far as the people of Ireland are concerned. The people will have raw products to consume equivalent to 27,000,000 bushels of wheat. This we will call case first.

Now, alter the supposition, and let the 3,000,000 bushels of wheat be exchanged for Irish manufactured products, and these last be exported. Then, clearly, the people of Ireland will have available for consumption one-ninth part more of the products of the land than they had under the first supposition. This is case second.

Now, vary the supposition yet again. Bring home the landlords, and confine them and their dependents to the use of Irish manufactures. The people of Ireland will then have for consumption the same quantity of wheat as in the last case, and *also* the manufactured products which are exported under case second. This we will call case third.

In the first case, the raw produce constituting rent is sent abroad. It might as well have been burned. In the second case, it is given to productive laborers, who give in exchange manufactured products, which are exported. Here the Irish people get 3,000,000 bushels of wheat to consume in addition to what they had under case first. In the third case, the Irish people, altogether, have for consumption the additional 3,000,000 bushels of wheat (the same as in case second), and *also* an equal value of other products, subject only to a deduction of what the landlords and their wives and children actually use themselves; and, if we go through the expenditures of a wealthy family, we shall find this deduction to be very trivial. A very large part of their incomes are exchanged for professional and personal and commercial services. Those who render such services constitute, according to the census of the United States, more than one hundred and thirty distinct classes, and are over one-fourth part of the whole working population.

Mr. McCulloch saw very clearly that the landlords living in Paris would only obtain services and commodities by exchanging for them their rents or other Irish products into which their rents were converted: what he appears to have overlooked is that the landlords, when living in Dublin, would obtain *Irish* commodities and services only in exchange for their rents or other Irish products into which those rents were converted. The producer of Dublin stout will not give a single bottle of it, except in exchange for other commodities, any more than will the Portuguese producer of port. It would appear, then, that the premises of Mr. McCulloch were quite inaccurate, and that the conclusion drawn from them must be abandoned. Mr. J. S. Mill, in his "Logic," in book v. chapter iv., end of paragraph 4, has a similar error. He says it is indifferent whether an Englishman buys British or French silks, because British commodities must be produced and exported to pay for the French silks. He forgets that the necessaries, conveniences, &c., of the British weavers are as much British commodities and employ as much industry to produce them as do the commodities which pay for the French silks in the other case. The only difference is, that in one case the British weavers are deprived of their support, and in the other case they are not. Everything else remains the same, except that the consumer may get the French silks a trifle cheaper, — a matter altogether too trivial to be compared with the national loss.

Professor Cairnes, in his book entitled "Some Leading Principles of Political Economy," repeats this mistake, and props it up with the remark that if it be an error, " we seem to have made a mistake in repealing our protective laws ; nor were protectionists, after all, so very wrong in seeking to encourage native industry by compelling expenditure towards domestic productions !" See part ii. chap. i., note at the end.

Mr. Mill makes use of the error to prop up the free-trade doctrine, and Professor Cairnes makes use of the free-trade doctrine to prop up the error.

Let us now examine another specimen of reasoning: the doctrine that a universal glut of all commodities is impossible, — not a permanent glut, but *any* glut. This doctrine makes a business man open his eyes wide with astonishment. They get at it in this way: —

1st. " Human desires are unlimited.

2d. " Commodities are paid for by commodities.

3d. " He who has produced a commodity has therefore the means of purchasing the other commodity he desires. Double the number of products, and everybody would bring a double demand as well as supply. It is a sheer absurdity that all things should fall in value, and that all producers should, in consequence, be insufficiently remunerated."

Thus says Mr. John Stuart Mill; and Professor J. E. Cairnes, in his work entitled " Some Leading Principles of Political Economy," before alluded to, maintains that with regard to commodities, demand and supply, as general phenomena, as aggregates, cannot be discriminated. He says:

"An article is produced and is offered in the market: it is now supply; but the possession of the article confers upon the owner a purchasing power, and this power being exercised, the article becomes a source of demand; *nor is there any other source from which demand can spring.* Demand as an aggregate cannot increase without supply, nor supply without demand. This," he says, "is fundamental in the theory of exchange; and all assumptions to the contrary must be regarded as baseless and absurd."

Now, every business man knows that the aggregate demand for commodities is sometimes greater and sometimes less; so much so, that the quantities in stock are sometimes greatly reduced and sometimes greatly increased, — even to the extent that is called a glut. What, then, has perplexed the abstract reasoners? The doctrine of value appears to be the culprit. The value of anything, they say, is what it will exchange for in other things; it is a ratio; and so, of course, it is absurd to say that all values can rise or all fall together. Hence Mr. Mill and Professor Cairnes maintain that the supply of commodities cannot outrun the demand. But it is just here, in applying to commodities the arguments applicable to values, that the reasoning breaks down, and is found to consist in changing the subject. That all values cannot rise or fall together may be perfectly true; but it does not follow that all commodities — the total annual product — may not rise or fall in exchangeable value; because the totality of commodities does not constitute the totality of values. Besides commodities, there are the rights to incomes, and the totality of fixed capital, the possession of which gives incomes. The annual product in the United States being taken at 6,000,000,000, those other values are estimated at 30,000,000,000; and, in fixing their minds upon commodities alone, the eminent authors in question overlooked five-sixths of the values which the money power has constantly to measure. Let no one suppose that Messrs. Mill and Cairnes intended to include all these under the term "commodities." They meant to include nothing beyond the annual product, as would be abundantly evident if there were space to copy their arguments *in extenso*. They argued the case as if there existed nothing besides commodities, and as if men had no desires for anything else, — overlooking that most pervasive and persistent instinct of man to increase his income or better his condition, of which Adam Smith remarks, "that it comes with man when he issues from the womb, and continues with him until he enters the grave."

Now, the action of this instinct sometimes causes an increased demand for commodities, and sometimes a great diminution and a glut. When many possessors of property yielding an income arrive at the conclusion that the country has outgrown its fixed capital, — that it needs more houses, farms, mills, forges, &c., — they can descend into the market, sell or pledge a portion of their bonds, shares, or other property, and proceed to the construction of new railroads, houses, cities, mills, forges, &c.; and this movement will involve the fuller employment of the community, a consequent diminution in the stocks of commodities, and an advance in their exchangeable value. It seems to be of the nature of such movements to run to excess, as each onward step causes a larger and larger demand and stimulates more and more to an increased production by making the earlier enterprises profitable; but, finally, just as the most prudent give up looking for a crash, it comes. It suddenly reveals itself to the community that more fixed capital has been formed than can for the time being be profitably used. Then comes a violent reflux of opinion. Men rush into the belief that more has been done in that direction than the country will require for twenty years. Every new enterprise falls into discredit; the population which was engaged in converting floating into fixed capital, — that is, engaged in converting a portion of the annual product into instruments designed to increase the future product, — this portion of the population is dismissed into idleness, and is thereby forced to diminish enormously its demand for commodities; and here we find ourselves face to face with a *glut*. The productive energies, which had adapted themselves to meet the effective demand of a fully employed community, find themselves in excess in presence of the diminished demand of a community only partially employed. There is over-production or under-consumption; and, as a necessary consequence, the exchangeable value of the whole annual product suffers a great diminution. Those who had been producing upon borrowed capital find themselves unable to meet their obligations; there are failures, panic, forced liquidations. The possessors of fixed capital next find their incomes diminished. They, for the time being, are no longer able to save; no longer able even to maintain their previous scale of expenditures. *These* are next diminished, with the effect of throwing more people out of employment, diminishing still farther the aggregate demand for commodities, and consequently their aggregate exchangeable value. Next, or coincidently, all instruments of production decline; the productive energies adapt themselves after a while to the new conditions; a new scale of exchangeable values is evolved; a smaller gross annual product, involving a smaller average annual net individual income, issues, and the community gradually and slowly settles itself upon a lower level, from which in time to take a fresh start. To trace the steps of recovery, and see how a progressive community, after a number of years, works back to its former level and beyond it, might or might not be interesting, but would exceed the limits and go beyond the object of this paper, which in this portion is simply to show, not that gluts do occur, for this everybody knows, but that just reasoning ought to have anticipated them, — ought to have seen that in the present state of our knowledge they are inevitable and likely to be of considerable duration. The panic of 1873 was not entirely over before 1879.

The next specimen of abstract reasoning is the free-trade argument published by Adam Smith in 1775, and repeated in a somewhat modified form by Mr. J. S. Mill three quarters of a century later.

It will shorten the examination if we first establish one or two preliminary points.

Between 1860 and 1865 the Northern States supplied the government with commodities or money, which, directly or indirectly, was converted into commodities of the value of about $4,000,000,000 in currency, or say $3,000,000,000 gold value, in four years. The inducement was government bonds promising a continuous income. Suppose, now, that instead of government bonds issued to carry on a war, there had been offered to the community new industries promising to yield as great an income. It is evident that in the same time $3,000,000,000 would have been forthcoming for the development of those industries, — a sum greater than the whole fixed and floating capital employed in 1860 in the manufacturing and mechanical industries of the United States. The country, then, could have doubled those industries in four years. That the annual product of commodities does not increase with this rapidity is not, then, because of the inability to find capital, but because men do not discover mutual wants so rapidly. Perhaps more than one-third of the annual product falls to the share of those who desire to save rather than increase their annual consumption. They must be tempted to spend by the discovery of new products or new services, or by the gradual growth of a more liberal scale of living. Failing this, a portion of the annual product remains in stock, diminishing profits and holding in check the expansion of the known industries. This it is which limits the field of industry in a community still possessed of a vast amount of undeveloped resources. Industry, then, as a matter of fact, is not held in check by the want of capital, but by the want of a sufficiently profitable field of employment, and by the accumulated stocks of finished products and of materials awaiting conversion. The legitimate loans of banks of issue are made chiefly upon these; and these loans in the United States, we all know, exceed $1,000,000,000.

Mr. Mill recognized that these stocks of goods were unemployed capital; but, in spite of this, he, as well as Adam Smith, argues the free-trade question upon the assumption that, in a normal condition of things, every atom of the actual and potential capital of a country is and must be fully employed upon productive industry, so that anything taken for new industries must be taken or withheld from the old.

We come now to the argument of Adam Smith, contained in the second chapter of the fourth book of his "Inquiry into the Nature and Causes of the Wealth of Nations." The limits of space forbid the quotation of his whole chapter, which contains a great deal of rhetorical repetition; but nothing shall be passed over which demands reply.

In his first paragraph he calls protected industries monopolies. This they may have been in his time, when almost every trade and manufacture was a close guild; but this they are not in our time and country, with 50,000,000 of people free to exercise them. To use the word now is anything but complimentary to the intellect of the listener or reader.

His third paragraph maintains that

> "The general industry of the society never can exceed what the capital of the society can employ. As the number of workmen that can be kept in employment by any particular person must bear a certain proportion to his capital, so the number of those that can be continually employed by all the members of a great society must bear a certain proportion to the whole capital of that society, and never can exceed that proportion. 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 into a direction into which it might not otherwise 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 of its own accord."

But the number of workmen that can be kept in employment by any particular person does not bear a certain proportion to his capital. When the market for his products is dull, a large part of his capital is locked up in unsold goods; he must then lessen his production and dismiss some of his workmen. Quicken the demand for goods, and his ability to employ workmen increases; and the same is true of society taken together. In a normal condition of things there may be, for instance, a stock of goods equal to two months' consumption of the whole community, — a value in the United States at the present time (1881) considerably exceeding a thousand millions of dollars. And observe that these stocks of commodities are the very things — the food, the raiment, the tools, &c. — which are requisite, and in fact used, in carrying out any new undertakings. The proposition, then, that "industry never can *exceed* what the capital of the society *can* support" is totally irrelevant.* One-half of the capital normally unemployed is ample for the inauguration of gigantic enterprises, and these, if within the strength of the community, will not prevent anything being done which would otherwise have been done. On the contrary, the previously existing industries will be stimulated to larger production.

Let us suppose that the United States at the end of 1879 were producing and consuming commodities equal to a value of $6,000,000,000 for the year, and with a surplus stock equal to a value of $1,000,000,000. If at that time they commenced forming new instruments (mills, forges, farms, houses, and railroads) to an annual value of $300,000,000 over and beyond the regular and normal movement, there would be, as we see, $1,000,000,000 of unemployed floating capital out of which to take the funds ; but these funds would go to recompense the producers of the new instruments, and would be by them expended for the most part for commodities, thus relieving the capitalists of a portion of their stocks and placing them in a position to employ more labor for the sake of enlarging their production of commodities. But whatever they thus expended for labor would lead to the production of more than twice the value expended in labor,† and it might well have happened that at the end of 1880 the gap made in the stock of unemployed floating capital was quite repaired, and the country as ready to continue a similar movement in 1881 as it was to commence it a year before. Meanwhile, the extra recompense to labor during the year would have been not less than $600,000,000.

Vary the amounts if you please, but you will find that any

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* It never can, for any considerable time, be nearly as great as the capital can support; for, if it were, there would be no stock of commodities, which would cause such high prices and such high rates of interest as must inevitably moderate the industrial movement.

† The census of 1870 gave, as the total value added to materials by the mechanical and manufacturing industries, $1,744,000,000, of which $776,000,000 went to labor.

new enterprise not out of proportion to the existing surplus stock of commodities will result, 1st, in an enlarged employment of laborers; and, 2d, in the creation of new subsidiary capital, or say rather of new instruments of production, which would not otherwise have come into existence. But a free-trader may say, How do you know that there is any surplus stock of commodities? and we should reply that, in the first place, we know it as a matter of fact, which can be verified, any day you please to take evidence, in State Street or Wall Street or anywhere else. But as our free-trade brethren do not like facts, nor believe in them unless they agree with conclusions deduced from postulates admitted by their own authors, we will try to show that in an industrial community there must be normally a stock of commodities or of unemployed capital.

First, then, take industry A. Those who commenced it did so for the sake of profit. But, so long as they obtained a satisfactory profit, the same motive would lead them to enlarge their production. If one man did not, another would; and so the increase of the industry would go on until it overran the demand. A stock would then accumulate, bringing down profits and locking up a portion of the producer's capital at the same moment. But what is true of industry A is true of B, C, D, &c.; and we thus arrive at the conclusion that each carries along a surplus stock. When this stock is diminished by a novel or increased demand, prices rise, and the industry is stimulated; when the stock is increased, prices fall, and the industry is checked.

No economist, so far as we know, has noticed the vast aggregate amount of these stocks, nor the manner in which they regulate the play of the industrial forces; and yet, without knowing about them, it is impossible to understand what happens upon the commencement of a great war, or of a great industrial movement. When we have ascertained what the ordinary average stock is, — whether equal to two or three or more months' consumption, — it will become possible to form a rational opinion as to how far any industrial movement can be pushed without bringing on a scarcity of floating capital and a stringency in the money market.

But, meanwhile, it is something to have satisfied ourselves that such stocks must and do exist, and that systems framed in ignorance or disregard of them are necessarily erroneous. Such a system is that of Adam Smith in his third paragraph above quoted. He starts with a self-evident axiom that "the general industry of the society never can *exceed* what the capital of the society *can* employ." He then repeats the idea in different words three several times; and then, mistaking apparently this rhetorical artifice for logic, he draws his conclusion that "a regulation of commerce can only divert a portion of the capital of the society into directions into which it might not otherwise have gone." This conclusion will follow from his axiom, whenever an industrial community shall be found in which there exists no unemployed capital, and no funds, which, though originally intended for private expenditure, are capable of being diverted to the support of productive labor the moment a protective law affords a sufficient motive for doing so. Until such a community be found, the conclusion does not follow from the premises. His argument, if it can by any stretch of courtesy be called an argument, does not cohere.

In the next four paragraphs he argues from the supposed interests and motives of men that they would in certain cases act in accordance with the public interest, and he thence concludes that they are "led by an invisible hand to promote an end which was no part of their intention."

This is a stupendous generalization to be jumped at from a few very uncertain coincidences. Had he inquired, after the inductive method laid down by Bacon, as to whether the selfish private acts of men coincided generally with the interests of the society, he would have found that innumerable negative instances forbade any such conclusion.

His next paragraph argues that men can judge what is for their own interest better than any statesman can. This does not seem to be very evident, in light of the fact that over ninety per cent of business men fail; and, if it were evident, it has been noted already that there is no scientific basis for the assumption that individual private interests generally coincide with those of the public. All that is evident is, that a statesman cannot undertake to attend to the private affairs of each individual, who, therefore, is left to manage for himself, under the restraint of general laws. These, however, forbid him to build unsafe ships or houses, to encroach upon or prevent the laying out of a public way, to set up lotteries or gambling-houses, to tie up property indefinitely, to use other than certain weights and measures, &c., *ad infinitum.* Uninstructed common sense recognizes everywhere that the immediate interest of the individual is, in an immense number of instances, quite opposite to the interest of the community; and one of the instances is, when the individual buys of the foreigner at the smallest difference of price, while his fellow-citizen, who could make the article, sits idle or becomes a charge upon the society.

In the next two paragraphs Adam Smith argues that

> "It is the maxim of every prudent master of a family never to attempt to make at home what it will cost him more to make than to buy," and that "What is prudence in the conduct of every private family can scarce be folly in that of a great kingdom. If a foreign country can supply us with an article cheaper than we can make it ourselves, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage. The general industry of the country, being always in proportion to the capital which employs it, will not thereby be diminished, no more than that of the above-mentioned artificers, but only left to find out the way in which it can be employed to the greatest advantage."

Here are two fallacies of confusion. The first is in comparing a nation which, by his own supposition, is *not* fully occupied, with an individual who, by his own supposition, *is* fully occupied. Let us correct this by supposing the individual to have employment only four days out of six. He will then be a very *im*prudent and thriftless master of a family if he sits idle two days in the week, because somebody else excels him in all save his special trade. He will set himself about something, will gradually acquire skill and become more independent; and his income all the time will be augmented. The second fallacy is introduced by the use of the word *cost.* We immediately figure to ourselves what the article *would* cost, calculating his labor at what he earns during his four occupied days; but what he makes while he would otherwise be idle costs him nothing; and what a nation makes with labor otherwise idle and with capital which would otherwise be lying unemployed, or which perhaps would never have come into existence, costs the *nation* nothing. By producing the article it would otherwise import, it adds to the national revenue the total gross value of the article produced, or rather the total value of what would have otherwise been exported. The argument that industry will not be diminished because it is always in proportion to capital, would be good if true, but is good for nothing after we have found out that industry is held in check, not by the want of capital, but by the want of a field of employment sufficiently profitable to attract capital.

Adam Smith continues: —

"Though for the want of such (protective) regulations the society should never acquire the proposed manufacture, it would not, on that account, necessarily be the poorer in any period of its duration. In every period of its duration its whole capital and industry might still have been employed, though upon different objects, in the manner that was most advantageous at the time. In every period its revenue might have been the greatest which its capital could afford, and both capital and revenue have been augmented with the greatest possible rapidity."

This would be correct, were the facts as to capital such as he imagined. He knew nothing of the normal existence of unemployed capital; nothing of the rapidity with which new capital can be taken from income; nothing of the impetuosity with which the savers rush upon and occupy every field of employment which promises a profit.

But the world has learned something in a hundred years; and in the light of the newly observed facts, we know that in consequence of such regulations the nation will in every period of its duration enjoy a larger revenue and acquire a larger capital.

We come now to the anti-protectionist argument of Mr. John Stuart Mill. He says: —

"There can be no more industry than is supplied with materials to work up and food to eat. Self-evident as the thing is, it is often forgotten that the people of a country are maintained and have their wants supplied, not by the produce of present labor, but of past. They consume what has been produced, not what is about to be produced. Now, of what has been produced, a part only is allotted to the support of productive labor; and there will not and cannot be more of that labor than the portion so allotted (which is the capital of the country) can feed and provide with the materials of production.

"Yet, in disregard of a fact so evident, it long continued to be believed that laws and government, without creating capital, could create industry."

This is Adam Smith's argument over again, and is, in brief: —

1st. Industry cannot *exceed* what capital *can* maintain.

2d. Industry, therefore, cannot increase until new capital has been created.

3d. Laws and governments cannot create capital.

4th. Therefore laws and governments have no power to increase industry.

But to make the later propositions flow from the first, a vast gap has to be filled up: it requires to be proved that in a normal condition of things there is no unemployed capital, and no funds, which, although intended for unproductive consumption, are capable of being instantly turned to the support of production the moment that a new industry, intrenched by a protective law, presents a profitable field of employment.

This is a question of fact; and the moment we inquire into the facts, we find that the unemployed capital in the United States is vast, probably much exceeding $1,000,000,000; and that the ability to reinforce this out of the funds intended for unproductive consumption within the year is also vast, probably a good deal over $700,000,000. Before these facts the whole argument falls to pieces.

Mr. Mill continues as follows: —

"Not by making the people more laborious, or increasing the efficiency of their labor: these are objects to which the government can in some degree contribute. But, when the people already worked as hard and as skilfully as they could be made to do, it was still thought that the government, without providing additional funds, could create additional employment."

These are wonderful words, as showing how far the most conscientious man may be led in misrepresenting his opponent's positions. The protectionist does not maintain that the government can increase the industry of a people who *already* work as hard and as skilfully as they can be made to; but that of a people who do *not* already work as hard and as skilfully as they can be made to. Indeed, to suppose that they who already did all they could might still be made to do more (whether the government provided additional funds or not), seems to be one of those blunders or bulls which one would hardly expect to find in the deliberate composition of one who has written so admirably upon logic.

Mr. Mill continues: —

"A government would, by prohibitory laws, put a stop to the importation of some commodity; and when by this it had caused the commodity to be produced at home, it would plume itself upon having enriched the country with a new branch of industry, would parade in statistical tables the amount of produce yielded and labor employed in the production, and take credit for the whole of this, as a gain to the country, obtained through the prohibitory law. Although this sort of political arithmetic has fallen a little into discredit in England, it flourishes still in the nations of continental Europe. Had legislators been aware that industry is limited by capital, they would have seen that, the aggregate capital of the country not having been increased, any portion of it which they by their laws had caused to be embarked in the newly acquired branch of industry must have been withdrawn or withheld from some other, in which it gave, or would have given, employment to probably about the same quantity of labor which it employs in its new occupation."

Here the cat jumps out of the bag, and we see how Mr. Mill made out his proposition, which he called invulnerable. He translates his original proposition that industry cannot *exceed* what capital can maintain, into the words, "industry is limited by capital," which are ambiguous. In one sense they are identical with his original and fundamental proposition; but his conclusions, as we have seen, cannot be deduced from this. In the other sense they mean that, in point of fact, industry does not increase because there is not any unemployed capital nor any other funds which can be at once turned into capital. His conclusions would logically follow from this proposition; but this proposition, as we have seen, is not true. But, by converting his first and fundamental proposition into an ambiguous form, he misled himself and his readers, and seemed to prove that, when millions of practical men believed they had been enriched by a protective law, they were only as many millions of idiots for thinking so. In doing this, he committed precisely the error which he denounced in his "Logic," chap. vi. sec. 4, where he says: —

"The commonest and certainly the most dangerous fallacies of this class, are those which do not lie in a single syllogism, but slip in between one syllogism and another in a chain of argument, and are committed by *changing the premises.* A proposition is proved, or an acknowledged truth laid down, in the first part of an argumentation; and in the second a farther argument is founded, not on the same proposition, but on some other resembling it sufficiently to be mistaken for it. Instances of this fallacy will be found in almost all the argumentative discourses of unprecise thinkers," &c.

But here an instance is found in his own argument: a great logician, when closely examined, is seen committing a capital error in logic, and thereby teaching us how signally unreliable is the purely abstract system of reasoning, and how constantly it requires to be checked and verified by comparison with facts.

The absurdities into which abstract reasoning may run by overlooking important economical facts is curiously shown by another doctrine, enforced at great length by Mr. J. S. Mill. This is the doctrine that a demand for commodities "does not and cannot create any employment, except at the expense of other employment which existed before." This flies in the face of two economical facts. First, that people are constantly striving to save; and, second, that there always, in a normal condition of society, exists a stock of unsold goods or of materials awaiting transformation, — in short, a vast aggregate of unemployed capital. He argues thus: —

"A consumer may expend his income either in buying services or commodities; he may employ part of it in hiring journeymen bricklayers to build a house, or excavators to dig artificial lakes, or laborers to make plantations and lay out pleasure-grounds; or, instead of this, he may expend the same value in buying velvet and lace."

If he does the latter, Mr. Mill concludes that the additional quantity of velvet which his demand causes to be produced could not be produced at all were it not that the bricklayers, &c., being now without work, their demand for necessaries, &c., ceases, and hence the production of those necessaries, &c., ceases; and hence the precise amount of capital necessary for a larger production of velvet is set free. "There was," he says, "capital in existence to do one of two things, — to make the velvet or produce necessaries for the bricklayers, — but not to do both!"

Imagine the case of a young man, who, being imbued with these doctrines, is thrown into practical life in the United States, and obliged to consider business problems into which enters as a factor the probable amount of the capital unemployed at the moment, he being utterly ignorant of the fact that the aggregate is generally very large and sometimes enormous. What grave blunders he would make, and at how fearful an expense would he unlearn what he had been taught at school or college! If we take Mr. Mill's consumer as merely the embodiment of the totality of consumers, we know that in one phase of the revolving phenomena of society he may have been saving until the general glut of commodities has reduced all profits so low that there is no longer a sufficient inducement to save. If, then, he sets his bricklayers at work and buys his velvet, his purchases will relieve the velvet maker of a portion of the stock of goods which held his industry in check, and will enable him to make more velvet;

and the bricklayers, now employed, will purchase a portion of the overstock of necessaries, and enable their producers to augment their production. And this can go on until the production of commodities has become so profitable that it may appear desirable to increase the aggregate of productive instruments; and the employment of men to construct these will cause a further demand for commodities, a further diminution of the unemployed capital, a further rise in profits, concurrent with a greatly increased demand for labor.

But our young man has been taught that an increased supply of commodities is impossible, unless at the same time there is an equal diminution in the demand for services, or for other commodities; that a glut is impossible; that demand cannot in the aggregate increase beyond supply, nor supply beyond demand; that no new industry can be introduced except by diminishing or preventing some other industry; that the demand for labor cannot increase suddenly, but only gradually and slowly, as capital is, little by little, saved out of income. He has been taught these and other errors, which tend to seriously mislead him in practical life, and may ruin him, if he wants that quick perception and almost intuitive interpretation of facts which are needed to place him where he would have been had he never studied these subjects abstractly.

In Professor Cairnes's book, entitled "Some Leading Principles of Political Economy," already alluded to, we have an elaborate work, designed evidently to affect public opinion in the United States and on the continent of Europe in favor of free trade. Let us examine its logic. He says, part iii., chapter i., paragraph iii.: —

"Secondly, when it is said that international trade depends on the difference in the comparative, not in the absolute, cost of producing commodities, the costs compared, it must be carefully noted, are the costs in each country of the commodities which are the subjects of exchange, not the different costs of the same commodity in the exchanging countries. Thus, if coal and wine be the subjects of a trade between England and France, the comparative costs on which the trade depends are the comparative costs of coal and wine in France as compared with the comparative costs of the same articles in England. England might be able to raise coal at one-half the amount of labor and abstinence needed in France; but this alone would not render it profitable for France to obtain her coal from England. If her disadvantage in procuring other commodities was as great as in producing coal, she would gain nothing by an exchange of products, and the conditions of a trade between the two countries would not exist. But, supposing she was, in the case of some other commodity, under a less disadvantage than in that of coal, still more, if she had, with regard to that other, — as in wine, — a positive advantage, it would at once become her interest to employ this commodity as a means of obtaining through trade her coal from England, instead of producing coal directly from her own mines."

All that this proves is, that in *some* cases it will be advantageous for France to get its iron from England in exchange for wine. That it will not be so in all cases is easily shown, as follows: Let the utmost requirements of England for wines be £2,000,000 sterling; let the requirements of France for iron be £10,000,000 sterling. She (France) can in this case obtain from England iron somewhat more cheaply, — we say *somewhat*, because the advantages would be divided between the two countries, — but she would have to *go without* four-fifths of the iron she required. Her saving of labor and abstinence upon the iron she did get from England would be a considerable percentage, of the value of, let us say, 100,000 tons of iron; her loss would be the enormously greater value of 400,000 tons of iron.

Professor Cairnes's reasoning, then, leads only to a *particular conclusion*, and can be used only as a particular, not as a universal, premise.

Further on in the same paragraph Professor Cairnes quotes the instance of Barbadoes buying to advantage its food in New York, and paying in tropical products, notwithstanding that it could raise food also more cheaply than New York.

Here is another particular instance from which no general conclusion can be drawn. It may or may not be well for a small island inhabited by a handful of people to purchase their food and clothing and other conveniences, by giving for them sugar and coffee and spices; but scarcely even a lunatic would propose to 100,000,000 of people to do the same thing; because the quantity of sugar and coffee and spices which they could find a market for would not procure them a twentieth part of what they required in other things.

We come now to Professor Cairnes's chapter iv., entitled "Free-Trade and Protection." Unfortunately he based the main portion of his argument upon the statistical deductions of Mr. David A. Wells. The Professor probably did not know how roughly these had been handled in Congress; but, being a prominent economist, he ought, one would think, to have distrusted the accuracy of figures which appeared to prove that the real wages of the people of the United States had declined twenty per cent between the years 1860 and 1868. However, he accepted them in full faith, and based upon them his main argument, which amounts to this: —

So great a deterioration in the condition of the people must have a cause. I look about in every direction, and cannot find anything to attribute it to, except the MORRILL TARIFF. Here we have a sufficient cause. It puts on duties averaging forty-seven per cent.

"Every article, therefore, produced in the United States, which would not have been produced there but for the protective tariff, represents an expenditure of labor and capital greater than would have been necessary to obtain the same article had it been obtained under free trade. In a word, American labor and capital, as a whole, have, effort for effort and outlay for outlay, been producing smaller results since 1861 than formerly; and, this being so, what other explanation do we need of the actual facts which we encounter, — of diminished returns on American industry, of a fall in the real wages of labor?"

Scores of times it has been shown by American writers that, when an industry has been raised up by protective duties, its products have been often cheapened and scarcely ever augmented by the amount of the duties. Scores of times the free-trader has replied, Where, then, was the necessity for the duty? and scores of times they have been told, The duty was necessary in the first place to establish the industry, and afterwards to prevent it from being maliciously overwhelmed by English goods sold at a loss, which was to be more than made up by the higher prices obtainable when we no longer were able to help ourselves.

It by no means follows, then, that forty-seven per cent was added to the cost of articles caused to be produced by the Morrill Tariff. It is almost certain that with the tariff we have still to offer in foreign markets as great a surplus of the commodities "in raising which we have an advantage" as can be well sold; that, if we offered a larger quantity, the net returns would be less in the aggregate than they are now; and, if so, the commodities produced by reason of the tariff are just so much clear gain. The question was, "Are protective laws a burthen to the country imposing them?" and the Professor surely made a grave slip in undertaking to prove they were, by assuming that they were! If the statement of Mr. Wells had been a fact, and the average real wages of the inhabitants of the United States had actually been reduced twenty per cent, there are many other conceivable causes besides a tariff. In 1874 to 1879 there was a serious fall in the rate of wages as measured by money, and also probably as measured by commodities; but there has recently (1881) been an enormous advance. Did the tariff cause both the decline and the advance? We certainly are not called upon to draw any such absurd conclusion. The fall in 1873–74 was sufficiently accounted for by the sudden cessation by the community from the construction of new instruments of production, and the recent advance is sufficiently accounted for by the movement in the opposite direction now going on. When the community is fully employed, the gross annual product is large: there is much to divide, and wages and profits advance together. When a portion of the community is dismissed into idleness, the annual product is diminished: there is less to divide, and wages and profits fall together.

Professor Cairnes feels great anxiety about the Illinois farmer, lest he should not get enough for his corn, and have to pay too much for other things. He and M. Mongredien would like to have us confine ourselves to that in which we have an advantage, and take the other things from England. The farmers could take $1,000,000,000, and the rest of the community converted into farmers could take another $1,000,000,000; and, twenty-five years hence, when we number 100,000,000 of people, we could take twice as much, or say $4,000,000,000 of other things. What would be the price of the other things under such circumstances, — whether double or treble what it is now, — and what the price of the corn, — whether two-thirds or half of what it is now, — ought not to trouble political economists!

On looking further, I see I am in error, and that Professor Cairnes does not agree with M. Mongredien. He does not expect us all to become farmers; on the contrary, he tells us that —

"(1) As regards the industries of raw produce, protection does not call into existence a single branch of production which would not equally have existed under free trade, — it merely alters the proportions in which such industries are carried on, hindering their natural and healthy development; (2) in the domain of manufacturing industry it is equally inefficacious as a means of creating variety of pursuits, — for if on the one hand it secures a precarious existence for certain kinds of manufactures, on the other, by artificially enhancing the price of raw material, it discourages other kinds which in its absence would grow and flourish; while (3) over and above all these injurious effects, it vitiates the industrial atmosphere by engendering lethargy, routine, and a reliance on legislative expedients, to the great discouragement of those qualities on which, above all, successful industry mainly depends, — energy, economy, and enterprise. To conclude, having regard to the geographical position, extent of territory, and extraordinary natural resources of the United States, as well as to the character of its people, trained in all the arts of civilization, and distinguished beyond others by their eminent mechanical and business talents, there seems no reason that they should not take a position of commanding influence in the world of commerce, — a position to which no other people on earth could aspire. But, to do this, they must eschew the miserable and childish jealousy of foreign competition which is now the animating principle of their commercial policy. If they desire to command a market for their products in all quarters of the world, they must be prepared to admit the products of other countries freely to their markets, and must learn to seek the benefits of international trade, not in the vain ambition of underselling other countries, and so making them pay tribute in gold and silver to the United States, but in that which constitutes its proper end and only rational purpose, — the greater cheapening of commodities and the increased abundance and comfort which result to the whole family of mankind."

But the "world of commerce" in which we are invited to partake is a world in which Great Britain, by immense efforts, — warlike, industrial, diplomatic, social, and literary, — has been able to find markets for only about twelve hundred millions of dollars in value of the products of her mechanical and manufacturing industries; while our own market, which we are invited to share with Great Britain, is now some four or five times as great, and pretty sure to be ten times as great in twenty-five years. The invitation has a humorous aspect, and might be passed over with a good-natured smile, if the matter were not one of such transcendant importance. Any attempt to put his recommendations in practice would place in peril a large proportion of our capital and industry, and also the high rate of real wages which we have thus far been able to sustain. The farmer is not very likely to sanction it. He knows too well what protection he gets from the removal of nearly half the population from the soil; and he knows too well how his farm rises in value when the mill or the forge settles down beside him. No! the men who thoughtlessly favor such movements are professional and literary men and the possessors of incomes. All these are apt to think it would be well if they could get their clothing and other conveniences cheaply from England. They forget that with a diminution of the rate of wages must also come a diminution of fees, salaries, profits, and incomes. When the incomes from mills, forges, railroads, houses, all fell off, they would lament the day that they assisted to inaugurate so perilous, so pernicious, an experiment.

Professor Cairnes tells us that protection does nothing to diversify industries. His reasoning has been found exceedingly liable to error in other instances, and is exceedingly unsubstantial in this. Facts all over the world confute him.

Let us now turn over the leaves of a livelier author, M. Bastiat. He, at all events, entertains us. He gives us a most amusing petition from the manufacturers of gas for the abolition of sunshine. We laugh; but we remember that no one proposes to employ labor to produce an inferior substitute for what can be had for nothing. Nor does anybody propose to raise pineapples under glass as a substitute for the tropical product. The climate is too much against us, except indeed when the article to be produced is of sufficient importance to make it worth our while to set civilization against sunshine, as was done in the case of sugar from the beet, and done with complete success.

Another point which Bastiat urges with great wit and vivacity is that our object in building railroads and steamships and telegraphs is to facilitate intercourse, — to remove impediments to intercourse. But the moment we have done this we set about undoing it, by enacting protective and prohibitory tariffs, which are equivalent to breaking up the railroad or burning the steamship, or at least the equivalent of a serious diminution of their utility. But when we build a railroad or a steamship we know that these beneficent instruments, like most others, may be perverted to pernicious uses. They are excellent for carrying passengers; but it does not follow that they should be used by every passenger. A thief, a spy, a murderer, a person afflicted with the small-pox, may surely be refused a passage, without subjecting the directors to a charge of absurdity. They are also excellent for carrying freight; but they do not become any less excellent when their managers forbid infectious or dangerous or injurious commodities being conveyed by them.

We form these instruments of locomotion to promote such commerce as for good and sufficient reasons we deem advantageous, and the multiplication of railroads and steamships and their good dividends bear witness to the fact that there is plenty for them to do, in spite of the wicked and absurd protective laws. Men have not yet found reason to adopt the general proposition, that Whatever traffic is carried on by railroads or steamships is *ipso facto* and necessarily beneficial!

Nor yet this other general proposition, To forbid any traffic which is carried on by means of a railroad or steamship is absurd and ridiculous. Such arguments, when stripped of the wit and rhetoric by which Bastiat and his imitators have covered them up, need no refutation. To show them as they are is sufficient.

One who reads Bastiat's admirable chapter upon Capital and Interest is filled with wonder at the venerable blunders found in other parts of his work. As one example, he says :

"On what depends the demand for labor? On the quantity of disposable national capital. And the law which says, 'Such or such an article shall be limited to home production and no longer imported from foreign countries,' can it in any degree increase this capital? Not in the least. This law may withdraw it from one course and transfer it to another, but cannot increase it one penny. Then it cannot increase the demand for labor."

Let us see. A nation is, as before supposed, producing annually commodities worth $6,000,000,000, and it has normally in stock $1,000,000,000, being commodities in the hands of producers or dealers and advanced upon by banks or moneyed men.

Now the law steps in and says: There is an article (say woollen goods) for which there is a large demand in the country, but which has hitherto been brought from abroad. We are under no disability as to climate. When we have acquired the requisite skill, we can produce with as little cost (in labor and abstinence) as any other country. Let there be a duty placed upon importations sufficient to amply protect the new industry.

Under these encouragements capitalists all over the country subscribe to establish woollen mills, to build the mills and furnish the floating capital, and then to proceed to work. Let the movement be of large dimensions, say to the extent of $300,000,000 the first year paid away to workmen. The $1,000,000,000 of unemployed capital is ample without disturbing any previous industry. It is more than three times what is ample. So far, so good! But the money paid out for labor will nearly all be spent by the laborers — for what? For the very commodities which constitute the unemployed capital. The producers of these, finding an extra demand to the extent of nearly a third of their stocks, are all along in condition to increase their production by employing more labor and paying more wages. They may do this to nearly the extent of $300,000,000, with the result of producing commodities worth more than twice the wages disbursed. Here, then, the community at the end of the year finds its floating capital about the same as at the beginning, and its fixed capital increased $300,000,000; and its laborers have had and used during the year $600,000,000 more than they would have had without the law. But M. Bastiat, as we have seen above, lays it down as the indubitable teaching of his science, that the law cannot increase the capital disposable for the payment of wages a single penny. This is the patriarch of free-trade sophisms or blunders, having been born in the house of Adam Smith more than a hundred years ago.

As another example of venerable blunders, take the following. He says: —

> "France, according to our supposition, manufactures 10,000,000 of hats at fifteen francs each. Let us now suppose that a foreign producer brings them into our market at ten francs. I maintain that *national labor* is thus in no wise diminished. It will be obliged to produce the equivalent of the 100,000,000 francs which go to pay for the 10,000,000 of hats at ten francs, and then there remains to each buyer five francs, saved on the purchase of his hat, or, in total, 50,000,000 francs, which serve for the acquisition of other comforts and the encouragement of other labor."

Let us see. France, according to his first supposition, produced 10,000,000 of hats selling for 150,000,000 francs; but the recipients of these 150,000,000 francs did not eat or drink or live in them. They exchanged them for other 150,000,000 francs of products. Here, then, were 300,000,000 francs of French products, every franc of which (see M. J. B. Say) was net income to some Frenchman. Total net income, then, under this supposition, 300,000,000 francs.

Under the other supposition, foreigners bring in 10,000,000 hats and receive French products worth 100,000,000 francs. The French consumers get their hats the same as before; and, if they spend the whole of the 50,000,000 francs saved by the change to a foreign producer, there will be an additional demand for 50,000,000 francs of varied products. The total French product, then, under this supposition, will be 150,000,000 francs, every franc of which will be net individual income to somebody. Total net income, then, under this supposition, 150,000,000 francs. The aggregate of the French incomes, then, has been reduced 150,000,000 francs by the change from a French to a foreign producer.

But the hat-makers, you may say, will do something else. But in saying this you introduce a new element into the question; and, moreover, you are by no means warranted in your assumption. Mr. John Stuart Mill ought to be a good enough authority for free-traders, and he says, in regard to a similar case (see book i. chap. v. sec. 9): —

> "The very sum which the consumer now employs in buying velvet (for velvet, read English hats) formerly passed into the hands of journeymen bricklayers (for journeymen bricklayers, read French hat-makers), who expended it in food and necessaries, which they now either go without or *squeeze, by their competition, from the shares* of other laborers."

The change of the demand for hats from France to, say, England does not increase the demand for other French products a single franc, even on the supposition that the hat consumers spend all they save in the price of hats upon other products. If they capitalize any of their savings, the gross demand for other French products will be less than before. The hypothesis, then, finds no funds for the support of the displaced French hat-makers. They must starve, or squeeze a living (by competition) out of the remuneration of other laborers.

This is not only a venerable blunder; but worse still, it is a dead blunder. It was killed by Sir John Barnard Byles in the "Sophisms of Free-Trade," in 1849, and witness was borne to its peaceful interment by William Lucas Sargant in the "Science of Social Opulence," a work favoring free trade, published in 1856. But this ghost of a blunder so long buried was produced afresh as a valid argument in M. Bastiat's "Sophisms of Protection," translated for the instruction of the American public under the auspices of "The American Free-Trade League."

A large proportion, however, of American converts to free trade become so really through influences which are quite natural and amiable, but which are perfectly innocent of logic. A vast host of wealthy and cultivated persons every year visit Great Britain, where they find almost every man, woman, and child a free-trade missionary, ready to tenderly influence and instruct their less fortunate cousins from the western side of the Atlantic. Every man, woman, and child is completely possessed with the conviction that political economy is already a science, but one, alas! only understood in England. Our ignorance is gently forgiven, our wayward perversity is borne with, any wavering in our convictions is greeted with encouragement and suitable applause, any symptoms of actual conversion are received with unmeasured caresses. The stateliest doors fly open to the truly repentant protectionist; and the highest talent of the land can find time to pause approvingly and to recognize that the individual who, having been born in utter darkness, can still thus bare his eyes to the almost overpowering glare of truth, must possess not only a good heart, but also a commanding intellect! A large portion of the beliefs and opinions of men are rather, as it were, inhaled or absorbed from the social atmosphere around them, than arrived at by any process of reason. We find it easy and pleasant to agree with those who treat us with delicacy and attention, and almost anything seems logical which brings us into accord with the great, the wise, and the good. We do not reflect that Bacon, in his time, could not easily have avoided believing in witchcraft; that Samuel Johnson was ready to be scared out of his wits by reports of a ghost; and that the present opinion of Mr. Gladstone or other great thinkers and scholars in favor of free trade has intrinsically no more value than had theirs in favor of the beliefs which the world has now so entirely outgrown. The universality of an opinion is so far from being proof of its correctness, that it should rather inspire a fear of error, — a fear that only one side of the question had been heard.

It is really curious to observe the unanimity with which our English cousins believe themselves masters of political economy; but one of themselves, an author who has made valuable additions to the materials of political economy, declares, in reference to Great Britain, that

"Political economy is little understood, even by educated men. A few of its doctrines, indeed, — those, for example, relating to the division of labor and free trade, — have taken their place in the familiar philosophy of Western Europe. Men learn them, however, by rote, not by study."

But the traveller is not aware of this. He is in contact continually with free-trade opinions, and gradually acquires them by contact or by infection, just as he would catch the small-pox or a malarial fever; and, in this condition of mind, he returns, to be vexed and worried and made to pay out money by the custom-house authorities. Here personal irritation comes in to complete the conversion. He sees very clearly what he has to pay; he does not see by any means so clearly that the ample income which made his travels possible had sprung from the system of which the custom-house annoyances were a necessary portion. He becomes a hater of all tariffs, as obstructions to intercourse, and a ready listener to such sophistries as the following, put forth by Mr. David A. Wells since his conversion to free trade during a visit to England. He says, in his "Creed of Free-Trade:" —

"The highest right of property is the right to freely exchange it for other property. Any system of laws which denies or restricts this right, for the purpose of subserving private or class interests, reaffirms in effect the principle of slavery. Whatever facilitates or cheapens the interchange of commodities or services — good roads, the locomotive, the steamship, or the telegraph — promotes abundance, and consequently the aggregate of human comfort and happiness. Whatever, on the other hand, restricts or makes costly the exchange of commodities or services — be it in the nature of bad roads, high mountains, tempestuous oceans, swamps, deserts, or restrictive laws — increases scarcity, and consequently the aggregate of human poverty and discomfort."

This seems admirable reasoning to one whose preconceived opinions are all in favor of free trade. Let us see whether it is so.

The first sentence contains a proposition altogether foreign to political economy, which concerns itself solely with questions relating to social opulence. This proposition belongs to the domain of law and to the domain of social science, of which political economy is only a portion, a portion in which this question has no place. That it is dragged into a discussion regarding free trade shows a consciousness of weakness. But a lawyer or a professor of social science would meet with a smile the assertion that "the right of every possessor of property to exchange it for other property is so full, universal, and sacred, that the whole community must abstain from any regulation thereof"!

Even if the pecuniary interests of some individuals were *injured*, these ought to give way to the interests of the whole community; and to liken such pecuniary interests or rights to the rights to life and liberty invaded by slavery, is a monstrous sophism. The insinuation that the restriction of the right of exchange by protection is made in order to subserve private or class interests, is to carry the discussion entirely out of the domain of truth, as the whole aim and object of protection is to increase the total annual product for the benefit of the community as a whole. That good roads, the locomotive, the steamship, and the telegraph promote abundance in all cases is not true. They promote abundance when they are restricted to beneficent exchanges; they promote scarcity when used to carry on a commerce which, after destroying our means of helping ourselves, can only give us a fifth or a tenth of what we enjoyed before. We have a natural advantage in producing cotton, tobacco, wheat, and a few other products which are salable abroad; but the market for these products is not sufficiently great, nor can it become sufficiently great, to warrant the employing upon them one-half our present or a fourth of the population we shall have in 1905. To endeavor to confine ourselves to these would be to transfer the whole of our natural advantages to the foreigner, and to reduce ourselves to the condition of Ireland, Turkey, India, and other countries which are prevented from helping themselves and compelled to look to England for mechanical and manufactured products. This is an eminently practical question, upon which the rhetorical sentences quoted from Mr. Wells have no bearing whatsoever. The following is equally irrelevant. He says: —

"In the absence of all freedom of exchange between man and man, civilization would obviously be impossible; and it would seem to stand to reason that to the degree in which we impede or obstruct the freedom of exchange, — or, what is the same thing, commercial intercourse, — to that same degree we oppose the development of civilization."

But this is reasoning from a "particular" proposition as if it were universal. *Some* exchanges are necessary conditions of civilization, but others may be highly prejudicial to civilization; there may be many exchanges which must be *suppressed* in order to reach the highest civilization. The suppression of some foreign exchanges may bring into existence many times the number of more advantageous exchanges at home.

Mr. Wells thinks it strange that the American people, who insist upon free trade among themselves, should object to free trade with foreign countries, and thinks that "foreign trade presents no element peculiar to itself."

This is a strange assertion. It would seem that foreign trade is subject to foreign legislation, and not to domestic legislation; that foreign trade is especially liable to interruption from war; that foreign trade (especially with England and Europe) is more distant as to markets; that foreign trade is carried on with nations having very different conditions of production, and having both the will and the ability to greatly injure and even crush our industries by selling products at a loss, for the very purpose of driving us from our own markets and then making us pay high prices. It would seem that an exchange with the foreigner provokes only one production, where a domestic exchange provokes two ; and that this alone is of supreme importance, inasmuch as the *whole* price of everything produced constitutes net individual income to somebody, as is proved by J. B. Say.

Volumes could be filled with examples of the errors committed by economists of the English school in their deductive reasoning. We have seen that Mr. J. S. Mill, who gave the world an admirable treatise upon the science of logic, could yet amaze his own scholars by giving them one of the best possible specimens of the fallacy called "Changing the Premises," and thus arrive at a false conclusion upon a vital question in political economy. Both he and Professor Cairnes, we have seen, apply to commodities the argumentation which is only true with respect to all values, of which commodities form only a small portion. By this error they come to the conclusion that a glut is impossible, — a conclusion which is contrary to fact, and contradicted by all correct deductive reasoning. Every economist of the English school enjoins upon us to buy in the cheapest market with some portion of our own products in raising which we have an advantage. We reply, that the products in which we have an advantage are not salable abroad to an extent which would pay for one-third part of the other products that we now make for ourselves. We are 50,000,000, we say, and require, and actually obtain and enjoy, annually, commodities produced by the mechanical and manufacturing arts of the value of at least $4,000,000,000. In twenty-five years we shall be 100,000,000 ; and, if we continue the protective policy, we shall no doubt then annually obtain and enjoy similar commodities to the value of $10,000,000,000, — a sum equal to about three times the total annual consumption of the British Islands, of which consumption, be it noted, only a small fraction could, under any possible circumstances, be taken from the United States. Great Britain cannot supply our wants ; but she can, and, if we will allow her to do so, she will, prevent our supplying them by our own industry. She would give us a comparatively small quantity cheap, and we could go without the balance. This is the only kind of abundance (!) which free trade ever can produce for the United States.

This is the abundance which free trade gives to India. In that country are to be found 200,000,000 of people of a highly acute and industrious race. To be on a par with the United States, their annual product should be about $25,000,000,000 in value. It is in reality far less than a tenth of that sum; and every few years there is (now in this, then in that province) a famine that carries off from one to two millions of human creatures. And what advantage does Great Britain obtain from this deplorable condition of affairs? The pitiful advantage of selling in India some $120,000,000 worth of English products, and making thereon perhaps a profit of $25,000,000. Where England profits a dollar, India foregoes producing a thousand.

Similar has been the effect of English free trade upon Ireland, Portugal, and Turkey, and upon her own colonies. Deductive reasoning leads directly to the conclusion that the only way in which the British Islands, with 30,000,000 of people, can be the workshop of the world, is by preventing the world from helping itself; and, on the other hand, the imagination would fail to picture the magnificence of her empire after a period of fifty years, should she set herself resolutely to the task of developing in Ireland, in India, and in the colonies the arts and sciences which she herself possesses. She has a heart large enough to adopt so beneficent a policy. She does not do so, because sophistical arguments have fixed upon her a belief which future ages will wonder at, as we now wonder at her once equally unanimous belief in the existence of witchcraft.