

RECIPROCITY AND FREE TRADE.

THE great and well-won reputation of Mr. Wallace as a scientific observer entitles him to respectful attention whenever he propounds any doctrine or theory, however startling; and I therefore need no apology for examining as carefully as I am able his recent utterance in the April number of this review, entitled 'Reciprocity the True Free Trade.' The first impression which this wonderful title made upon me was much the same as if he had said, 'Cowardice the only true valour,' or 'Swindling the only true honesty.' But when I had a little recovered from my surprise, I considered that the truth or falsehood of this astounding title resolved itself, after all, into a question of words. I first simplified the matter by leaving out the word 'true,' since it appears to be quite evident that a false free trade is no free trade at all. But then I encountered a difficulty with which I never thought to have been embarrassed by a gentleman of such high scientific attainments. The controversy which he raises is concerning free trade, and I do not think we should be thought unduly exacting if we were to require that when he uses the same word he should use it in the same sense, or, indeed, if we had asked that he should give us a definition of free trade, and after he had given us his definition, that he should adhere to it. My complaint is that the word 'free trade' is used in an essay of no very formidable length in a number of senses utterly at variance with each other. Nay, I am almost sanguine enough to believe that if Mr. Wallace had given himself the trouble of considering for five minutes what meaning he attaches to the word 'free trade,' the essay now lying before us never could have been written. I do not expect my readers to take so serious an accusation on trust, but will adduce the reasons and instances which have driven me to this conviction.

'No one,' says Mr. Wallace, 'advocates free trade in poisons or explosives, or even in alcoholic drinks; and few believe that we are bound to allow Zulus or Chinese to become armed with breech-loaders and rifled cannon if we can prevent it.' In this passage Mr. Wallace clearly identifies protection with the necessary precautions of police or the precautions required by actual or impending war, and free

trade with the foolhardy carelessness which disregards such precautions. Having just been told that free trade may consist in rashness and negligence, we are next informed that the essence of free trade is mutuality. We are then informed that it is a maxim of expediency. We learn next that if each country does not freely produce that which it can produce best and cheapest, one entire section of the benefits derivable from free trade is destroyed. Next we are told that the whole programme of free trade must be carried out if its advantages are not to be overbalanced by disadvantages. We are next told of the stability which general free trade would give us, from which we are led to infer that there are two kinds of free trade, general and special; but upon this interesting subject we are favoured with no further information. We next hear that our boasted freedom of trade shuts us out of half the markets of Europe, but whether because it boasts or because it is free I do not know. We learn next that countervailing duties are strictly in accordance with the essential spirit of free trade, from which it would seem to follow that free trade is something different from its essential spirit; and, lastly, that Mr. Wallace is himself a free-trader. I ask the candid reader whether, from the extracts which I have placed before him, he can form the slightest idea of what Mr. Wallace means by 'free trade,' and I would respectfully invite him to try his hand at reconciling all that is said about free trade within the limits of a single definition. I cannot sufficiently regret that it never occurred to Mr. Wallace to favour us with a definition of his own. I am convinced that, had he done so, very few of the quotations which I have just cited would have seen the light, and I greatly incline to the opinion that the article I am considering would never have been written. At any rate we should have been spared the trouble and perplexity of answering arguments to which it is impossible to do full justice, because, when we try to ascertain the meaning of the term on which the whole controversy depends, we are met by irreconcilable contradictions. Mr. Wallace would not think of employing the same word to describe a bee and a bat, an elephant and a mouse. Why cannot he treat himself and his readers to a different word to express a different idea? One coin may pay many debts, but one word should, I respectfully submit, be devoted to the service of one single idea.

Little reassured or edified by this examination, I proceed to inquire whether there is any known and received meaning of free trade which can fairly identify it with any system of reciprocity. Now, the word 'free trade' was for many years the watchword of a most acrimonious controversy. That controversy was not raised by, and did not raise, the question of reciprocity. The question was not how foreign countries were to behave to us, but how we were to behave to foreign countries. The free trade for which Cobden and Bright fought and conquered was a negative—the abstinence on our part from the im-

position of any tax with a view to raise the price of any commodities, and especially of food imported from abroad. Whether reciprocity be right or wrong, it was not in any way included in the controversy of that day. To identify it with retaliation is a mere abuse of language. The contest was not to compel the Government to use their interest with foreign nations, to induce them to take off duties on our produce; the struggle was of a much more direct and practical nature. The English Government were asked to do that which was entirely in their own power—to take off duties of their own imposing which interfered in so striking a way with the comfort and well-being of the people. Free trade is the reverse of protection: protection is putting duties on foreign importation for the purpose of fostering our own products; free trade is taking them off. The meaning of the word 'free trade' is not a matter of argument, but of history. Mr. Wallace says that the essence of free trade is mutuality. I have, I think, shown that historically this is incorrect. I will venture to add that the feeling which carried free trade was not a desire for mutuality, but for justice. The feeling of all sound free-traders was then, and is now, that the main thing to secure is that we shall never again be subject to the gross injustice implied in the exercise of the taxing power not for the benefit of the whole community, for whom it is the business of Parliament to think and act, but against the people at large for the benefit of some particular class or interest. The victory of free trade decided not that we ought to limit or increase our taxes with reference to the taxes which are imposed on us by foreign governments; it was directed to an end which we had the power of attaining without the aid of foreign countries, and laid down a rule for the conduct of Parliament which we are proud to say has never since been infringed. Mr. Wallace, in the same page in which he says that the essence of free trade is mutuality, says that once having got it—that is, free trade without mutuality—we set it up on high as if it were a moral truth instead of a maxim of expediency. I agree that we did so, and I contend that we were right in doing so. That foreign countries should not overburden our manufactures with heavy duties is most desirable, is a matter of expediency, and cannot be fairly put higher, for foreign countries owe us no duty and are not bound to consider our interest. But that our Parliament should abuse the power entrusted to it of imposing taxes for the good of the whole nation, in order to enrich the few at the expense of the many, is a crying wrong and injustice, to which, when once pointed out, nothing short of absolute force would induce a free people to submit.

In the character of a professed votary of free trade Mr. Wallace is continually placing us in the most embarrassing positions. He has, as I have shown, carefully withheld from us the knowledge of what free trade really is, and, as if this were not enough, he applies him-

self to disparage the idol which he conceals from us. He says that, admitting that free trade will benefit a country materially, it does not follow that it will be best for that country to adopt it. He puts the case of a country spoiled, as a tourist would say, by mines and furnaces, and of another country which has preserved its natural beauty at the cost of neglecting its mineral wealth, and asks triumphantly, 'Is the former necessarily right and the latter wrong?' Here he seems to assume that free trade consists in exercising, and protection in rejecting, certain unpicturesque industries. I answer that free trade has nothing to do with the choice of employments, but is solely concerned with the manner in which the Government where the industry is carried on behaves to those who exercise those industries and to the public at large—that is, whether the Government imposes taxes on the rest of the community to support those industries or no. The question whether these unpicturesque industries should be prosecuted or not has nothing to do with political economy, any more than the question whether a man likes to spend his money in growing tulips or in feeding pigs. I agree to the not very profound remark that 'it is fortunate that most countries are as varied as they are,' but I fear rather on æsthetic than economical grounds. We do not think the worse of a country, as Mr. Wallace seems to do, because it has one predominating industry—

India mittit ebur, molles sua thura Sabæi—

under the influence of free trade. Nor am I afflicted with the idea which seems to pursue him that people would become parts of a great machine for the growth of one product or the manufacture of one article. At any rate we are sure that free trade or (what is the same thing) the abolition of protection cannot bring about this distressing consummation.

Mr. Wallace tells us that the programme of free trade is that each country shall freely produce that which it can naturally produce best, and that all shall freely exchange their surplus products. As this millennium has never been realised except in a slight degree with France, it seems to follow that our free-trade policy, or that which most people except Mr. Wallace believe to be our free-trade policy, has been a disastrous failure. We have been in the habit of believing that we—that is, the country at large—gained a great deal by being relieved from a number of unjust and vexatious taxes imposed not for the benefit of the public at large, but upon the public for the benefit of a few favoured interests or industries. We have been relieved from a certain amount of taxation and from an artificial dearth which that taxation was intended to produce, and did produce in fact. Of course we should be better pleased if other countries had followed our example. But it would be a libel on the intelligence of the nation to say that we made the change from protection to free

trade in the expectation and on the condition that other countries would sooner or later follow our example. There is no country in Europe where enlightened public opinion has so much influence over the government as in England. When we were fresh from the arduous struggle which ended in the attainment of free trade, or, what is exactly the same thing, the abolition of protection, we should have been dreamers indeed if we had abandoned ourselves to the delusion that the other States of the world would immediately or within an assignable period follow our lead. We secured what was within our reach, glad to have obtained so much and willing to profit by a similar return of common sense on the part of our neighbours. To have based our case on reciprocity would have been to court certain defeat, for nothing would have been easier than to show that there was no reasonable chance that we should be met in a similar spirit. It would have evinced an unpardonable want of sagacity in the free-trade leaders, of which the protectionist would not have been slow to take advantage.

The idol which Mr. Wallace worships is stability. 'As you were' is his motto. No one can doubt, he says, that stability in the various industries of a country is the very essence of true prosperity, leading to a steady rate of wages and an assured return both to labour and capital. And this, he proceeds to assert, there is no doubt, can only be obtained by some species of reciprocity. With all deference I must beg leave to be included among the doubters. I do not so read the ways of Providence. Strange as it may sound, I believe not in stability, but in progress. I think that a country whose whole ambition is centred on keeping things as they are is certain, under the present condition of things, in this age very decidedly to recede. Suppose that you have succeeded in neutralising or paralysing your rivals without your borders, you have still two formidable rivals with whom you will have to reckon—the inventive spirit of your own citizen and Nature herself. Look at what is happening in England at this moment. The stability of the iron manufacture, the pride of England, has departed. No one can say that an enemy has done this. It is, as I understand, the result of the absence of phosphorus in hæmatite coal, which peculiarly qualifies it for the production of steel, and steel, for many purposes, is about to supersede iron. The disturbance of industry and the loss to some persons will be great, but no one can doubt that mankind at large will be the gainers. This is the law of progress, the supersession of one invention and one process by another, the destroying one industry in order to replace it by something better, and not stagnation thinly disguised under the name of stability. *Non progredi est regredi*; and, if this keeping things as they are were all it could do for us, the battle of free trade would, I freely admit, not be worth fighting. The battle of free trade was fought and won to create not a stagnant pool, but a bright and

beneficent river. What is lost by one part of the community is gained by another; and to me that would be a sufficient answer. But to Mr. Wallace it would be no answer at all, for his complaint is that by foreigners our stability is disturbed. Now, stability can be disturbed quite as effectually, if not much more so, by a domestic as by a foreign rival. He knows his antagonists better. He sees their strong and weak points. He is quite certain of support if he can cheapen anything old or produce anything new. I desire to know, upon Mr. Wallace's principles of stability, how he, with his horror of disturbance, can tolerate such a complete revolution in the narcotic regimen on which he has set his heart as is involved in this iron revolution, and, if he sees no ground for interference, how he justifies active measures against what may probably be the far less serious interference of the foreigner. If it be his duty, as he seems to think, to insure me, by some State machinery or other, a quiet life and a comfortable income, how does he acquit himself of the duty when he leaves me to be destroyed by one over whom he has so much more control than over the dreaded foreigner? A man, as I have shown, may be just as effectually ruined by domestic as by foreign competition, and it is too bad to make such a parade of rescuing us from the jaws of the one only that we may perish under the claws of the other.

I now approach the remedy which Mr. Wallace has provided for securing that stability which he calls the most important advantage of free trade. Before dealing with it I must again recur to the great difficulty which is thrown upon me by the use of the terms free trade, protection, reciprocity, and mutuality in I know not how many different senses, without the slightest attempt at accuracy or uniformity. Mr. Wallace notices two schemes put forward by the advocates of reciprocity—the first a small uniform duty on manufactured articles, the second an arrangement by treaty of reciprocal import duties which shall be adjusted so as to benefit both parties to the arrangement. The former he condemns because it gives up the whole principle of free trade. Undoubtedly it does so, but not more than the remedy which he is prepared to apply. The latter remedy he pronounces vague, and as equally giving up the principle of free trade. I will say nothing about vagueness, because I have been taught to hold that *certum est quod certum reddi potest*. For two nations to agree that they will impose on certain articles either no duties at all or duties of moderate amount, for the purposes of revenue, is, as I view it, free trade and something more. It is free trade according to my definition, which is founded on the use of the term in the long Parliamentary controversy; and it is something more, for it prescribes what free trade does not, the treatment which we are to receive from foreign countries. But it is condemned unheard nevertheless. The reason given for this utter repudiation of commercial

treaties is somewhat singular: it is the warning of our late-lost and lamented poetess—

Love not, love not: the thing you love may change.

In other words, we cannot prevent foreign governments from changing their policy, or our capital invested in foreign countries from being rendered worthless by the unexpected action of a foreign protectionist minister a few years hence, and so we had better renounce the advantage than risk the possibility of losing it. We are also emphatically warned that we are not to put our trust in any kind of retaliation. We are to be guarded against injury, but on no account to dream of retaliation. I take it that retaliation means *tale quale*, or 'tit for tat,' and cannot sufficiently admire the nobility of the sentiment or too fervently hope that Mr. Wallace may be found strictly to observe it.

'But there is,' says Mr. Wallace, 'a very simple mode by which we can obtain that stability which general free trade'—whatever that may mean—'would give us, and which,' in his eyes, 'is its greatest recommendation.'

It is to reply to protectionist countries by putting the very same import duty on the very same articles that they do, changing our duties as they change theirs. This will restore the balance, and, so far as we are concerned, be equivalent to general free trade. It may, perhaps, even be better for us, for we shall get some revenue from these duties; but the great thing is, we shall obtain stability. Our capitalists and workmen will alike feel that foreign protectionist governments can no longer play upon our industries as they please for their own benefit. They will know that they will always be free from unfair competition. There will be every incentive to exertion to bring our manufactures up to the highest standard. As regards foreign industry, we should all be treated alike; all will have a free field and favour. As regards foreign countries, we shall strictly do as we are done by, and as we would be done by, and no more. We shall make no attempt to injure them.

In my own opinion not one of all these arguments is tenable, but let us for the moment grant them all. The project would still remain a gross folly and an intolerable injustice. Mr. Wallace writes as if there was nobody in the world whose interest we were bound to consult except the producers of such articles as are in their nature subject to foreign competition. So blinded is he by the protectionist mania, which he dignifies with the title of reciprocity, that he actually forgets the existence of nine-tenths of his fellow citizens. Absorbed in the idea of shielding a certain portion of the community from the crafty devices of foreign competitors, he has neither thought nor sympathy for any one else. He recommends the imposition of taxes, but I cannot find anywhere that he has wasted a single thought as to who is to pay them. He speaks of 'our' manufactures and exports as if we were all manufacturers and exporters; he might as reasonably insist that we are all under the mutiny laws because we speak of 'our' army. We are all accustomed to more or less of selfishness; but a selfishness so profound that it actually ignores the existence of

those whom it seeks to make its victims is indeed a striking phenomenon. Mr. Wallace has satisfied himself that no injustice is by his plan done either to our manufacturers or to their foreign competitors, and that, he thinks, is all that is required. As it never seems to have occurred to him that somebody must pay the taxes of which he is so profuse, we cannot be surprised that he has given no thought as to who that somebody is. It will not be the exporters of English commodities to foreign countries, and that is all that concerns him. But that is not all that concerns the people of this country. These taxes must be looked at not as a whole, but separately. In the case of each tax which is imposed for the benefit of some trade, it is that trade against all England. He cannot lump these taxes together and treat them as a whole, though, even if he could, he would make out no case. The fact that a man benefits, or believes he benefits, by one tax, will not reconcile him to another with which he has nothing to do. The people of these islands, now that the case has once been raised and fairly put before them, will infallibly say, and say with a justice which cannot be gainsayed, 'We are willing to pay whatever is required for the service of the State at home and abroad, but we ask no one to contribute to our support, and we will not submit to be taxed by a sort of rich man's poor law for the benefit of persons many of whom are better able to pay than ourselves. We ask no taxes to be levied on the country for us, and we will pay no taxes for you.' It really seems incredible that in proposing this scheme, and in stating the difficulties to be overcome, it never should have occurred to Mr. Wallace that there might be difficulty in inducing the people of England to submit to taxation not for the public service, but for the benefit of particular trades. And the surprise is increased when we consider that this very battle was fought and won on precisely the same issue in the days of the Corn-law League. If the whole landed interest was unable, after a vigorous struggle, to maintain a single farthing on corn, is it possible that a tax for the purpose of supporting stability of trade, or for any other purpose whatever except the public service of the country, would be, or ought to be, tolerated for a moment? So little has this by no means recondite or abstruse view of the subject forced itself on Mr. Wallace's attention, that he thinks this flagrant injustice is equivalent to general free trade, clearly showing that the fact that the change could only be effected by a tax on persons having little or no interest in the matter had never for a moment crossed his mind. Nay, he even goes on to say it may perhaps be better for us than free trade, for we shall get some revenue from these duties. He seems to have thought that revenue drops like manna from heaven, and enriches every one without impoverishing any. To desire free trade is natural; to make sacrifices to obtain it, especially with other people's money, is con-

ceivable; but to think that it is better to pay for it than to get it for nothing passes beyond the utmost limits of extravagance.

We are not informed as to the manner in which the new panacea will be brought into action, but we may assume it would be in the following way:—An Act of Parliament will be passed, directing that whenever any duty is put upon any article of English growth, produce, or manufacture by a foreign State, a duty to the same amount shall be payable to her Majesty on similar articles produced by that State.

I may remark in passing that the plan would be quite inapplicable in the case of drawbacks and bounties, so that, after all this sacrifice of principle, the grievance of the sugar refiners would go utterly unredressed. It must also be remembered that we should have all sorts of different tariffs for goods of very similar quality, and frauds would be multiplied upon the earth. Nor, in my judgment, would it be a slight evil that a portion of our revenue should be withdrawn from the control of Parliament, and left intentionally to the mercy of foreign Powers, who virtually control this portion of our taxation. Instead of being the masters of our own affairs we are to allow ourselves to be played upon by our rivals and our enemies. Does history teach us that it is so difficult to blow up the flames of rivalry and discord between competing nations that we must have recourse to an elaborate machinery intended to make a quarrel between friends, and, having made it, to keep it as hot as possible?

I have reserved to the last by far the clearest and most conclusive objection to this proposal, an objection which appears to me so complete and absolute that I am convinced, had it occurred to Mr. Wallace, the article which we are considering would never have been written. The merit claimed by Mr. Wallace for his proposal is that, by neutralising the protectionist policy of others, his mode of act on will place us as nearly as possible in the position we should occupy were all to become free-traders. It is evident, he says, that if we simply neutralise every step they take in the direction of protection, foreign countries will have no motive, as far as regards us, for continuing such a system. These are very high pretensions, and entitle their inventor, if he be able to establish them, to a place among the benefactors of mankind. I only regret that he has not furnished us with the reasons which induced him to believe that such a scheme is possible. At present I can only believe that he took it for granted without any examination at all, for the very slightest analysis would have shown him that his machinery is utterly unable to produce any of the results which he confidently anticipates from it.

We are all unhappily familiar with the fact that when one nation, feeling itself unable to compete in the open market with another nation in the production of some article of commerce, puts a

protective duty on that article, it is not unusual for the nation so attacked to select that article of its rival which competes most successfully with its own products to be the victim of a retaliatory duty. Political economy denounces such a proceeding, but no one ever denied that it was a substantive act of retaliation, and really did inflict on the rival State an inconvenience corresponding more or less exactly to the injury received. The assumption of Mr. Wallace obviously is that the effects, whatever they may be, which are produced by imposition of a protective duty on one article or by the imposition of a retaliatory protective duty on another article, will be just as efficiently attained by the imposing of a retaliatory duty on the *same* article. Unless this be so, his whole plan falls absolutely to the ground—

And, like the baseless fabric of a vision,
Leaves not a rack behind.

Let us then consider what is implied by the imposition of a protective duty. It is, in acts which speak more loudly than words, a confession of inferiority. It says: 'We cannot meet you in the open market, so we will impose a burden upon you which shall crush or at any rate cripple you.' The imposition of such a duty is the result of weakness. It is the attempt of the weak to protect themselves against the strong. If the commodity of the State imposing the duty had been superior to the commodity of the State on which the duty is imposed, the imposition of a duty would never have been thought of. These preliminary considerations will enable us to understand the effect which will be produced by the imposition of the proposed countervailing duty. The effect will be absolutely *nil*. Its only operation can be that of exclusion. But by the hypothesis there cannot possibly be anything to exclude. It is ill taking the breeks of a Highlandman. The State imposing the protective duty has confessed, not in words but by its conduct, that it cannot maintain a contest with its rival in the open market, and all the retaliatory duty of Mr. Wallace does is to exclude it from a trade into which, by the conditions of the problem, it is impossible that it should enter. The weak can injure the strong by protective duties, but it is impossible for the strong to retaliate, because it is impossible to turn people out of places which they can never enter. Protective duties may be a sword in the hands of the weak; they can never be a weapon of offence in the hands of the strong. Thus the whole system of Mr. Wallace resolves itself into accepting the situation—that is, making ourselves ridiculous by pretending to retort when every one knows that we are doing and can do nothing. You may take away in part or altogether what a man has, but omnipotence cannot extract from him what he has not. He that is down can fall no lower, and the exclusion by law of what is already excluded by its admitted inferiority is a mere waste of time and temper.

Let us take an illustration from our own experience. English iron-manufactured articles could compete successfully with American articles of the same kind. To counteract this inferiority America imposes on English iron articles a protective duty sufficient to exclude them from her market. If we were to put a protective duty on American wheat, we might, at great loss to ourselves, inflict on America a considerable injury. Put on a protective duty on American iron, Mr. Wallace would say. Suppose this to be done, and what will be the result? Simply and solely that the American iron, which could not live in our market before, will not be able to live in it now—in other words, nothing. We should show our teeth, but only to show conclusively that we are unable to bite.

But though the plan of reciprocal protective duties on the same articles of commerce—if we could suppose that, after the exposure of its futility, it could be for a moment seriously entertained—would be utterly useless, we are not to assume that on that account it would be equally harmless. By imposing duties, not on the same but on other articles in which our rival possesses a superiority, we can at any rate remove the objection that our hostile measures are utterly harmless. We can remedy that by retaliating not upon what our adversary cannot, but what he can, sell to a profit in our country, and thus introducing into our intercourse with civilised and on the whole friendly nations the principle upon which war is founded—the bringing enormous evils on ourselves in the hope of inflicting still greater evils on our rivals. Nothing is more honourable in the history of this country than the patience with which we have endured the exclusion of our manufactures, not only by rival states but by colonies who expect us, in case they are attacked, to contribute our last man and last shilling to their defence. I trust that the complete breakdown of this scheme will not induce its projectors to substitute a mischievous reality for a comparatively harmless absurdity.

Here I close my remarks on Mr. Wallace's proposal. I claim to have shown from his own writings that he has never taken the trouble to consider what protection and free trade really mean; that he has never even alluded to that taxation of the many for the benefit of the few which constitutes the real and intolerable mischief of protection; that his notion of stability logically carries with it the protection of one trade in the same country from the competition of another; and that his retaliating duties would, if we were unwise enough to adopt them, entirely fail to attain the object for which they were designed, certainly cover us with ridicule, and possibly become the fruitful parents of the fiercest rivalry and the bitterest animosity.

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