

of the country considered. If there is no such intervening distance, there will, of course, be no disturbance from this cause. We can imagine Dutch merchants standing on one side of an imaginary line selling to Belgian merchants standing on the other side a thousand francs' worth of goods, and then, having got the thousand francs, promptly laying it out in the purchase of a thousand francs' worth of goods from the Belgians. In such a case it is obvious that all that would have happened would be an exchange of Dutch goods worth a thousand francs for a thousand francs' worth of Belgian goods, and imports and exports, valued at the frontier, would appear equal, both in Holland and Belgium. But when there is an intervening distance between the two countries the case is different. In the trade between Portugal and Brazil, for example, Portuguese ships do not carry the Portuguese goods to the middle of the Atlantic and exchange them there for Brazilian goods brought by Brazilian ships to the same point. If they did, and the values of imports and exports were set down at that point, again the values of imports and exports would exactly balance. The prices of the exports from Portugal would of course be lower on the coast of Portugal than in mid-Atlantic, and lower in mid-Atlantic than on the coast of Brazil, or it would not be worth while to carry them, and for the same reason the exports from Brazil would be lower-priced on the coast of Brazil than in mid-Atlantic, and lower in mid-Atlantic than on the coast of Portugal : so that, for example, wine worth £1 in mid-Atlantic might be worth only 19s. on the coast of Portugal and be worth

£1 1s. on arrival in Brazil, while coffee which was worth 19s. when it left Brazil might similarly rise to £1 in mid-Atlantic and to £1 1s. on arrival in Portugal.

This would not destroy the equality of values. But what actually happens is that instead of one set of values taken in the middle of the transit of the goods, we have two sets of values, the one calculated on the coast or frontier of the one country, and the other calculated on the coast or frontier of the other country: the Portuguese say they have exported 19s. worth of wine and imported 21s. worth of coffee, while the Brazilians say they have exported 19s. worth of coffee and imported 21s. worth of wine. There is clearly no ground for concluding from this apparent inequality that either or both countries have lost 2s. in cash, and we must beware of rushing to the opposite and equally fallacious conclusion that each of them has made a "profit" of 2s. The 2s. is nothing more or less than the money value of the labour and property used by each country in carrying away the exports and bringing back the imports.

The supposition just made of the ships of two countries exchanging goods in mid-ocean is, of course, an extravagant one. It is easier to suppose the ships of each country going right across the intervening distance and yet dividing the whole of the work equally between them. This change of supposition would make no difference whatever: the values of imports and exports would still differ in each country by half the whole cost of the carriage of both imports and exports. But now let us suppose that the Portuguese ships

provisioned in Portugal do the whole of the work, carrying the wine all the way to Brazil and bringing back the coffee. Then the Brazilians escape the labour and expense of manning and fitting out a fleet of merchant ships themselves, but naturally have to pay the Portuguese, who now do that work for them. The amount may be imagined as first paid to the Portuguese shipowners in money, just as it would have been paid to the Brazilian shipowners when they did the work. But as there is no reason for depleting Brazil of cash and filling up Portugal with cash, we may be sure that the money paid will sooner or later filter back to Brazil in exchange for exports to Portugal, so that the result of Portuguese ships and men doing the work is sooner or later to increase the quantity of Brazilian exports and the quantity of imports into Portugal. Consequently, when a country does none of the work of carrying its imports and exports outside its own boundaries, there will be no difference in the values of its imports and exports due to cost of carriage, but when, on the other hand, a country does the whole of the work, then, other things being of course supposed equal, its imports will exceed its exports by the whole of the cost of carriage of both imports and exports. It is this fact which accounts for the general tendency of imports to exceed exports: if the imports into all the countries of the world are calculated in this way and added together, they will exceed the value of all the exports calculated in the same way.

Sometimes the carrying trade between two countries is not in the hands of either country



but in that of a third country. Then both of the first two countries are in the position of Brazil in our last example. Exports will go from them to the third country to pay its denizens for the work done.

2. Other services besides those involved in carrying goods are often performed for people living in one country by persons who have their home in another country and wish their earnings to be remitted home. This leads to exports from the first country to the second without any corresponding import from the second country to the first. Thus an Englishman working in India for the Government or any other body will be likely to transmit part of his earnings to England to support his wife and children there, and that will mean exports from India and imports into the United Kingdom, unbalanced by any corresponding imports into India or exports from the United Kingdom. When he retires from work in India and lives at home on his pension, the effect of the transmission of the pension is the same.

3. Persons living in one country often own property in other countries and have the interest, dividends, or rents of that property remitted to them. This leads to unbalanced exports from the country where the property is to the country where the owner is. It is the chief cause of the large excess of imports into the United Kingdom, France, and Germany, countries whose inhabitants own large amounts of property in "new" countries. It is said to account for a quite considerable amount of imports into Italy, a country which attracts rich people from America and elsewhere for temporary residence.

4. Much of the property yielding income to persons inhabiting other countries than that in which it is situated owes its origin to what is called "foreign investment," that is, to investment, whether by way of loans, subscriptions to issues of new shares and stock, or purchases of property made by persons in other countries than their own. This is another disturbing factor, which works, of course, in the opposite direction to the third factor. It causes exports from the investing country, which are, no doubt, in time usually more than counter-balanced by the imports resulting from the receipt of income from the property, but which are not immediately balanced at all. The export of capital, as it is usually called, may take place in the form of the actual additions to the valuable property in the country in which the investment takes place, as, for instance, when in consequence of British investment in an Argentine railway a British-built locomotive is bought by the railway company. But this is by no means necessary : French investors in the Argentine railway might very probably cause an export of lace or wine, from the sale of which funds would be obtained which would be applied to secure the requirements of the railway company, either in Argentina or somewhere else.

This disturbing cause is an important cause of violent fluctuations in the trade between the old countries and the new countries. The amount of foreign investment made by the old countries is apt to fluctuate considerably owing to variations in the prevailing estimate of the security of investments in the new countries, and the demand for capital from abroad in

each particular new country is apt to fluctuate largely with the policy of its government and other local causes.

Repayment of foreign loans is, of course, merely the same thing as foreign investment, the investment now being, however, in the direction opposite to that of the original investment.

5. There are various payments of a non-commercial character made by people living in one country to people living in another country. The stock case is that of a political tribute paid, not for any services rendered, but simply because the country paying it has at some time or other been conquered by the country to which it is paid. Whether the tribute is a sum of money or an amount of corn, like the Egyptian and Sicilian tributes to Rome, it must lead to unbalanced exports from the tribute-paying country and unbalanced imports into the tribute-receiving country. Political tributes are not of much importance in the modern world. The examples of non-commercial international payments which occur to us at the beginning of the twentieth century are rather the remittances made by Irish emigrants to their relations who have remained in Ireland, subscriptions made in this country for sufferers by an Indian famine or a Sicilian earthquake, and such part of the dowries of American heiresses married to Europeans as is (or is popularly supposed to be) actually paid to their European husbands instead of remaining invested in America.<sup>1</sup>

<sup>1</sup> Some years ago it was usual to endeavour to prove that an excess of imports of goods did not necessarily mean an exportation of bullion by alleging that the excess was balanced by the



The more intelligent of the early balance of trade theorists were aware that these allowances, or rather such of them as were of any appreciable importance in their time, must be made before any inference can be drawn about the country's gain or loss of bullion from statistics of the imports and exports of goods other than bullion, even if those statistics are perfectly accurate. They knew also that they had no means of estimating the exact amount of the allowances which ought to be made, and that their statistics of imports and exports were very inaccurate. Consequently they admitted that exact knowledge of the actual balance of trade as between their own and other countries could not be obtained from the statistics which were available, and they were driven to seek indications of a favourable or adverse balance in the state of the "exchanges." These were, however, very difficult to interpret, owing to the multitude of currencies and the bad state of most of the coinages. Modern inquirers in regard to the present would naturally endeavour to solve the question whether the bullion of a country was increasing or decreasing by referring to statistics of its production within the country, if any, and of its importation and exportation. But such statistics were not to be had in the seventeenth century, and the consequence was that any one who wished to terrify his fellow-countrymen with the bogey of losing their money to the

"invisible exports." This was a clumsy and confusing way of treating the matter. It is tolerable in regard to the first two disturbing factors, since services can be conceived as "invisible exports," but it fails entirely in regard to the other three factors.

foreigner had a very excellent chance of doing so.

Intelligent or unintelligent, well or ill-informed, the people of the seventeenth century were unanimous in being anxious about the national stock of precious metals and in thinking that in order to secure a sufficient stock it was desirable to encourage exports and discourage imports of other goods taken as a whole. Hence, besides a comparatively unimportant system of bounties to exports, a vast system of intentionally highly restrictive import duties hampered trade inwards across national boundaries.

For the purpose of acquiring or retaining bullion the whole of this "mercantile system," as Adam Smith called it, was perfectly futile, and this became gradually obvious during the eighteenth century. But when a particular trade in a country had once been "encouraged" by an export bounty, or when its "discouragement" had been prevented by the imposition of duties upon imported articles competing with it, those who were interested in it were not likely to give up their advantage without protest. They desired to retain it, and their bias naturally led them to believe that it was for the national good that they should do so. The balance of trade doctrine was replaced by the doctrine of "protection," the theory that home industries should be "protected from foreign competition" either by prohibition of competing imports or by "protective" duties.<sup>1</sup>

<sup>1</sup> A duty which "protects" and consequently may be described as "protective" is one which puts upon an imported article a charge from which a similar article produced within the country is exempt, and to advocate such duties is to be a Protectionist



In the absence of definite argument public sympathy is apt to go with a claim for protection partly because of the common dislike of change, and partly because of a feeling like that which induces juries to give extravagant compensation to persons who have had railway or

or supporter of Protection. It should be noticed that not every duty on imported articles is protective, because (1) some import duties are "countervailed" by equivalent duties on home products, as is, for example, the British customs duty on beer, and (2) because some import duties are levied on articles which do not compete with similar things produced within the country: either because they cannot be produced there at all by any amount of expense, or because they cannot be produced there at such an expense as would make it worth any one's while to compete with the imported product even when the imported product is subject to the duty. *E.g.*, the British duty on tea is not protective, because it is not worth any one's while to grow tea here in hot-houses and with made-up soil when the duty is only 5d. per lb., but the duty might be protective if it were raised to 40s. per lb. or if some cheaper method of growing tea here were discovered. It is, of course, the fact of protection, not the intention of the imposers of the duty, which matters. When we describe a duty as "protective," we are not to be taken as deciding the often difficult question whether the duty was originally intended to be protective when it was first put on, perhaps two centuries ago.

The policy which rejects Protection has for many years commonly been called Free Trade. A Free Trade country is one which refuses to impose protective duties, and takes them off if they come into existence by accident. It is sometimes said in a challenging tone that there is not Free Trade between the United Kingdom and countries which have adopted Protection. Did any one ever say there was? What is said is that the United Kingdom has adopted a Free Trade policy. Sometimes, too, Protectionists say that the British customs duties on tea and beer are negations of Free Trade. This is merely to quarrel with the established and convenient usage of words, and it would be just as reasonable to refuse to call some Mr. Whitehead by his surname because he had brown hair. Equally senseless, on the other side, is the practice of the newspaper which insists on printing Tariff "Reform" thus with inverted commas because it thinks the word "reform" can only be properly applied to changes which are good.

tramway accidents or have had their property taken for a public purpose, the feeling that it will not hurt the numerous shareholders in a company or the still more numerous ratepayers in a country or town to pay a few pence each as much as it will please the poor sufferer to receive a few hundred or a few thousand pounds. Besides, it is natural to suppose that any industry or trade is a good thing, and therefore that it must be bad to allow an existing one to be diminished and good to increase it or to cause a new one to be set up. The underlying assumption is that the preserved or the added industry will be a clear addition to what would otherwise exist in the country.

This assumption that an industry gained by Protection will be a net gain, uncounterbalanced by a loss of some other industry, is usually based merely upon the simple suggestion that if the importation of an article is stopped, there will "obviously" be an addition to the population of the country of a number of persons equal to that formerly employed in producing the article elsewhere. Suppose, for example, that typewriters are at present made in America and imported into the United Kingdom: it is then obvious, say the supporters of this doctrine, that if the importation of typewriters into the United Kingdom is stopped, there will have to be a number of persons producing typewriters in the United Kingdom instead of in America, and there is no reason to suppose that there will be any fewer people producing other things, so that the typewriter-makers will be a net addition. The answer very often given to this is, "What will become of the people, perhaps the printers of bibles, whose products

were before exported to pay for the typewriters?" To that the modern Protectionist has a ready answer, "They will continue to print bibles for export, since though American typewriters are no longer required for the British market, the additional population in England will want wheat, tobacco, and other things from America." That opens the way for a *reductio ad absurdum*. "Then, I suppose, you will proceed to exclude those imports also, in order to add to the British population all the people who produce them, and so on *ad infinitum*, or at any rate until the whole American population is transferred to the United Kingdom?" But the *reductio ad absurdum* is seldom a very satisfactory form of exposition. It is better, instead of asking what will become of the bible-makers if the typewriter-makers come to live in England, to challenge at once the implied proposition that keeping imports out of a country is likely to tend to increase its population. It is not in the least likely to increase births or immigration nor to decrease deaths or emigration. If it had any such tendency, that tendency obviously could not be confined to the country of the Protectionist who happens at the moment to be speaking, and we should have the curious result that the population of all countries, and therefore of the world as a whole, could be raised by the abolition of international trade.

The truth is that the population of a country is likely to be increased by circumstances which make it a better country to live in, and there is no reason to suppose that restrictions on importation generally form such a circum-



stance, but rather the contrary. Any argument which goes to prove that every kind of protection everywhere tends to increase the population of the protected area must be wrong.

It does not, however, follow that it may not be possible in some circumstances to devise a scheme of particular protection for particular products which might tend to keep the population of some particular country higher than it otherwise would be. It is clearly possible for a State to pay people to come and live in a country or to continue to live in it by offering them inducements. For example, if the State in the United Kingdom or the Union of South Africa were to appropriate all the mineral property in the country and pay every one who chose to reside in it a small pension from the proceeds, this would be a clear inducement to live in those countries uncounterbalanced by taxation of residents as such. It is, I think, possible that in certain situations a scheme of restrictions on particular imports might be devised which would have, in a roundabout way, the same effect. The scheme would, however, involve a reduction of average income, since it would cause an increase of numbers without a corresponding increase of aggregate income.<sup>1</sup> The subject is full of difficulties, and it is clear that nothing of this refined character is intended by the protectionist who argues that Protection will increase the industry of the country.

He will, indeed, very probably deny that he ever thought of increasing the population

<sup>1</sup> Unless, in consequence of very peculiar circumstances and extraordinary ingenuity, the whole cost could be thrown on absentee owners of property.

at all. He meant, he may explain, only that his scheme would cause the existing population to be more fully employed by doing away with those great fluctuations of trade which seem to have much to do with the existence of the unemployed. There is some truth in the idea that reduction of foreign trade as a general rule should tend to diminish fluctuations in employment: on the whole, the smaller a trading community is, the less likely is it to suffer from such fluctuations, since miscalculations with regard to demand and supply are less likely, and the effects of changes due to invention and alteration of taste are more easily seen and are consequently more easily met. There is no limit to this advantage, so that we should find it greatest when we have reduced the trading community to the smallest possible size, and then it will strike us that Isolated Man possesses the advantage in the highest possible degree: he has never to fear unemployment. But we do not think it worth while to become isolated men in order to be wholly free from unemployment, and there is no reason to think that it is worth while to reduce international trade by a trifling amount in order to secure a trifling reduction in unemployment.

The whole of the ordinary crude doctrine that Protection gives employment is usually thrown over by the more cultivated Protectionist. He has no expectation of giving employment by cutting down imports, and generally he disclaims any desire to cut down imports. He does not advocate indiscriminate Protection, but a discriminating Protection which will, he thinks, bring about a better

selection of trades and industries by the people of his country than the selection which their self-interest will induce them to make in the absence of the duties which he proposes. There are two possibilities: (1) the country may specialize in the directions in which self-interest leads in the absence of protective duties, and (2) it may specialize in the directions in which self-interest leads when influenced by the existence of protective duties. Which is likely to be best?

In answer to this question it is sometimes said that the principle of *laissez faire* or letting people do what they want to do "has been abandoned," or "is dead," and therefore we must not suppose that there is any presumption in favour of a particular territorial specialization being good merely because it is profitable for individuals to adopt it. But this is clearly an error, and a bad error. The whole of civilized society is based on the principle that people should be allowed to do what they like until good reason is shown to the contrary, and this implies a presumption that profitable specialization is good. To justify interference with it some positive argument must be brought forward, showing that it, or the part of it which is attacked, is bad. A bare proof that complete *laissez faire* is bad, impossible, and inconceivable does not carry with it a corollary that every proposal for preventing people from doing what they want to do is right.

To examine here all the thousands of positive arguments which have been brought forward in favour of discriminating Protection at different times and in different countries is of course impossible. All that can be done with



advantage is to draw attention to their great variety and inconsistency. In each country at any particular time the arguments accepted by protectionists are just those which appear to show that the particular form of specialization to which the country is at that time tending to devote itself is bad for that country if not for every country. Thus in a country of which the inhabitants, when uninfluenced by protective duties, on balance export agricultural products and import manufactured produce, the reigning school of Protectionism is always found asserting that it is obviously ruinous to specialize in this way on agriculture; while in a country of which the inhabitants, also uninfluenced by protective duties, on balance export manufactures and import agricultural produce, the assertion is that it is disastrous to specialize on manufactures and "neglect agriculture" or "allow it to fall into decay," since it is obviously necessary for national security and the physique of the people. The fact that arguments in favour of discriminating Protection are found in every country, whatever its circumstances, is suspicious, the more so when we reflect on the support they get from the self-interest of those sections of the people which would gain by them either for a time or permanently. There is a presumption in favour of people being allowed to do what they wish, but this does not extend to allowing some people to pass legislation to prevent others from doing what they wish.

There is, however, one general argument in favour of a particular sort of discriminating Protection which has obtained such wide accept-

ance that it is worth while to examine it shortly. This is the argument in favour of "protection to infant industries." It has been said by J. S. Mill and others that an industry may be very suitable for a country and yet unable to start there because imports of the commodity which it produces come in from other countries in which it has become well established, and in such circumstances it may be proper to restrict imports for a time, until the "infant" can stand competition. Economists who would call themselves free-traders have often admitted this as an exception to their general rejection of Protection. Very little, if any, force really resides in it. So far as it goes, it justifies local just as much as national protection to infant industries: an infant industry may find it difficult to establish itself in Yorkshire because the products of that industry come in from Lancashire, or in California because they come in from Massachusetts. Secondly, it is wrong to assume that the mere fact of the advantage of the country from which the product is exported being an acquired rather than a natural advantage is a reason for endeavouring to counteract it. A great deal of territorial division of labour inside national areas now rests only on the acquired characteristics of places and their inhabitants, and nobody thinks any the worse of it for that. For example, if some place in England just as well adapted by nature as Lancashire for the seat of the cotton manufacture were now discovered, no one would think that a good reason for moving that manufacture. There is just as much reason for allowing acquired advantages to count when the question is one of the specialization between

nations. Thirdly, it is doubtful whether the supposed difficulty of starting an industry really exists, and whether, if it does, Protection is the best way of reducing it. When a good deal of a thing is imported into a country, it is easier for a home manufacturer to slip in with an article slightly better adapted for use in the country than it is for him to devise the article and "create a market" for it where imports are kept out. If the need of encouragement were clearly proved, it would seem better to give the encouragement by way of bounty or other direct assistance, as this is more likely to be withdrawn when the assistance has done its work or is proved to be useless.

The most plausible of all general protectionist arguments is one which is seldom put forward. This is that it must be a good plan to protect those industries in which labour is best paid, so that the country will specialize in the best paid occupations: products of coarse, rough labour will be imported free, while the products of highly skilled, well paid labour which are imported will be heavily taxed. So the labour of the people of the country will be confined to the highly paid work as much as possible, a highly desirable consummation. Now, no doubt, every well-disposed parent wishes his children to be engaged in well paid occupations, and we may agree that the State should wish the same for the inhabitants of its territory. But would it be reasonable for a parent who had taken no trouble and incurred no expense in the education of his children to assemble them and say, "My sons, on no account employ a dentist or a lawyer. Be



your own dentists and lawyers : let Jack attend to your teeth and Tom to your legal business. The work is much better paid than the unskilled work which you usually work at. It is true that you will not get any one outside the family to employ you as dentists or lawyers, as you will be rather unskilful, but you can at any rate keep your own work inside the family." It is clearly better to be a competent rivetter or even a competent jam-maker than a quite incompetent dentist or lawyer, at any rate when the interest of the customer as well as that of the worker is taken into account. A people that is competent to follow the better paid trades is sure to do so : the only way to secure that the people of a particular country shall do the best paid work of the world is to give them the highest intelligence and the best possible special training.

Considerable support is obtained for Protection in consequence of the existence of a belief that export and import duties afford each country means of taxing all the others, or "taxing the foreigner" as it is commonly expressed, this belief being combined with a somewhat confused impression of the connection between such duties in general and protective duties in particular. A dispassionate outside observer might suppose that considerations of justice would deter people from discussing the question of the practicability of taxing the foreigner. As I have already remarked, it has long, except in a few isolated parts of the world, been considered wrong to eat the foreigner : almost everywhere it is now thought wrong to reduce him to slavery ; if he is of the same colour, it is even thought wrong to deprive him of his

land or other property. But as yet, scarcely any one is ashamed to say that he would be delighted to tax the foreigner if only he could discover a way of doing it. I suppose the defence of this attitude which would be put forward, if any one thought defence was necessary, would be that the foreigner's wicked aggressive designs put the country of the speaker to an expense far greater than could be met by anything likely to be got out of him by this method: but the defence is quite insufficient, as the readiness to tax the foreigner is found almost as much when the foreigner is obviously unaggressive, and even when he is an ally or even a member of the same federation flying the same flag in war.

In considering the practicability of taxing the foreigner by duties on foreign trade, every one must recognize that money cannot be directly collected from people living outside the jurisdiction of the State imposing the duties. The hope is simply that the duties will make the terms of the trade more favourable to the people of the country, or in other words, that they will make the foreigners take less for the goods which are imported into the country and give more for the goods which are exported from it.

It is easy to conceive circumstances in which a number of persons, small or large, owning the resources of a particular area, may sell their products dearer when they act in combination than when they compete. Suppose these people have a number of springs of some mineral water of highly curative properties which is not found and cannot be manufactured anywhere else. If the springs belong to a number

of competitors, the whole of the water produced will be sold, say at 6d. a gallon: but the demand may be of such a character that if the price at which the water were offered to the buyers was raised to 1s. a gallon, three-quarters of the whole could still be sold: it will then pay the owners to combine and raise the price to 1s., although they have to let 25 per cent. of the water run to waste or drink it themselves. Now this is just the principle of the plan of "taxing the foreigner" by means of an export duty: instead of assembling all the producers of a particular commodity in a country and persuading them to enter into some complicated agreement for restricting exports, the government of the country takes the simpler and more effectual course of restricting exports by imposing the payment of a duty (proportioned to the amount exported) on every one who chooses to export the commodity; it is hoped that the foreigners will be forced by the reduction of quantity exported to give a higher price per unit. So, for example, if the character of the foreign demand were as just supposed, and the export duty caused a reduction of 25 per cent. in the quantity exported, so that the foreigners gave 1s. a gallon instead of 6d., the "foreigner would be taxed" to the extent of 6d. a gallon. The country as a whole, *i.e.*, the people in their individual and their corporate capacity, would trade on better terms, since it would be better for the owners of the springs and the government together to receive 1s. per gallon for 75 than 6d. per gallon for 100 gallons of the water: the total received would be 50 per cent. greater than before, and the people inside the country could, if they



chose, drink the quantity now cut off from the exports.<sup>1</sup> Thus an export duty may tax the foreigner, and it may be profitable to impose one.

But the example just given is clearly an exceptional one. Few commodities are like rare natural mineral waters. Take instead the case of a number of persons living together on a certain area and producing potatoes. Would it be likely to pay these persons to combine together and try to raise the price to their outside customers? Clearly not. They would not expect to be able to get a halfpenny a sack more for their potatoes, however much they restricted the quantity they sold. This is what happens with export duties on ordinary commodities: whether they restrict the exports from the particular country little or much, they fail to raise appreciably the price at which the foreigner purchases, because they only touch a trifling fraction of the whole supply to the world outside the country imposing the duty, and this trifling fraction can be made up from some other source without appreciable increase of cost and consequently of price.

Circumstances, again, are conceivable, though extremely unlikely, in which a number of persons living on an area could buy some commodity cheaper if they acted in combination than if they competed. They might be the only people in the world who wanted that

<sup>1</sup> In order to sell within the country the 25 per cent. cut off the exports, the owners of the springs will have to sell at less than 6d. a gallon, and consequently the duty required to raise the price to the foreigner by 6d., as supposed in the text, will have to be more than 6d.: how much more, will depend on the elasticity of the home demand.

commodity, and it might be one of the numerous commodities which would be cheaper, even in the long run, if less were bought of it. Suppose, then, that tea is such a commodity, that the tea-consumers left to their individual volition would buy 7 lbs. per head per annum at 2s. per pound, and further, that if they resolved to buy only 5 lbs. per head the price would fall to 1s. 6d. It follows that if they made and carried out this resolution, they might fairly say they had "taxed the foreigner" to the extent of 6d. per pound, and as they would have to spend 6s. 6d. less on tea while only forgoing 2 lbs. in their consumption, they would probably be gainers on the whole transaction. Now this is precisely the principle of the proposal to tax the foreigner by imposing an import duty. The duty is intended to check the demand, and it is supposed that the foreign producers will be obliged by the reduction of demand to sell the reduced quantity at a lower price per unit, being thus "taxed" to the extent of the difference in price, and that the fall of price on the reduced quantity taken will be more than sufficient to counterbalance the privation caused by the reduction of quantity. Suppose, as before, that the commodity is tea, and the consumption 7 lbs. per head when there is no duty, and the price inside the country 2s. A duty of 1s. is then put on imports: the price at home rises to 2s. 6d., of which the foreigner only gets 1s. 6d. in consequence of the reduction of consumption from 7 lbs. to 5 lbs. per head. Then the foreigner may be said to be taxed to the extent of 6d. per pound: the tea-consumers have lost 2 lbs.

of tea and only spend 1s. 6d. less upon tea, so that they are certainly worse off, but as the State gets 5s. out of what they now pay for tea, the change is probably a profitable one to tea-consumers and taxpayers considered as one body.

The trouble, however, from the point of view of any one who desires to "tax the foreigner" in this way is to find a commodity and conditions such as those described. A much more likely result of the shilling tax on tea, even if it were imposed by the country which consumes most tea, would be that the price outside the country would only fall permanently by  $\frac{1}{4}$ d. a pound, while the price inside the country rose  $11\frac{3}{4}$ d. with a fall of consumption to 5 lbs. per head, in which case the foreigner might still be said to be taxed  $\frac{1}{4}$ d. per pound, but the gain at his expense would probably not be worth making, as it would probably be more than counterbalanced by the disagreeableness to the people of having a particular branch of their consumption so sharply attacked by the tax instead of being allowed to spread the burden of taxation as they pleased. In the usual conditions, the imposition of an import duty by any one country will make no appreciable difference to the outside or "world" price of the article taxed, and, of course, in some conditions the imposition of such a duty might absolutely raise the world price.

I have for simplicity taken in the first place an example in which the import duty is not protective. Where it is protective it is no more likely to be beneficial in the manner supposed than when it is not. About one-fifth of the wheat consumed in the United Kingdom



is grown within the country, because that amount, and no more, can be grown there profitably (or so as "to pay" all the factors concerned more or at least as much as they could get in other employment) at the price which can be obtained. Suppose it pays to produce seven million quarters at 31s., and that it would pay to produce eight at 32s., and so on, till at 80s. a quarter it would pay to produce all demanded at that price and make the country independent of importation. It is evident that if the elasticities of demand inside the country and the conditions of supply outside it were the same for tea and wheat, any given percentage of *ad valorem* duty would diminish the British importation of wheat more than that of tea, since the home production would increase and to some extent supply the void. The greater reduction of British demand would cause a greater, though probably still almost inappreciable, fall in the outside price, but it must be remembered that the less taken of the commodity, the less the aggregate amount which the foreigner can be said to be "taxed."

On the whole, it may be said that the possibilities of getting anything out of the foreigner by import duties are so small that they are not worth setting against the usual fiscal considerations, with regard to the distribution of taxation between different classes of consumers and persons of different wealth.

The conclusion is that Government manipulation of foreign trade, whether in order to give employment, to select the best industries for the country, or to tax the foreigner, is not likely to have good results, however excellent

the legislature of the country ; and we shall feel even less confidence in the probability of good results when we reflect upon the imperfections and fallibility of the actual legislatures of the different countries of the world. We must beware, however, of exaggerating the evil effects which have actually resulted. A great deal of the trade which is prevented from taking place by Protection is not very important ; it consists of the exchange of commodities—such as different kinds of thread—in regard to which international localization is advantageous indeed, but not enormously advantageous. When Protection stands in the way of something more important, such as the urbanization of England in the nineteenth century, it breaks down. Moreover, under modern conditions in which extensive migration and conscious regulation of births are both possible, no State can by erroneous foreign trade policy, whatever its folly, permanently make the condition of its working-classes—that is, the mass of its population—seriously worse than that of the working-classes of other countries. They leave or refuse to multiply till their condition is brought up by the want of competition to the level prevailing in the other countries. The inquiries which were carried on at the beginning of the twentieth century by the British Government and other persons, with the idea of finding out by observation and statistical examination of the condition of the working-classes in England, France, Germany, and the United States which country had the best fiscal policy, were ridiculous in the extreme. The effect of long-continued superior fiscal policy in any of these countries

would only be to make its population and the value of its land somewhat greater than they otherwise would be—not, of course, necessarily to make them increase more rapidly than those of the other countries—and this effect could not be proved by statistics.

The question, "What then does determine the comparative wealth of the inhabitants of different areas?" can best be approached by beginning with the smallest possible example, that in which the territory is so tiny that it is only inhabited by a single family. Let us ask ourselves what determines the material welfare of the inhabitants of some spot, it may be of a few acres or only of a few yards in extent, when those inhabitants consist, say, of a man, his wife, and their young children. Every one will recognize at once that this is a personal matter, dependent on the original qualities of the persons concerned, their energy and industry, the occupations for which training has fitted them, and finally the amount of property which they own. We should not think of attributing differences simply to the fact that one family lived on an infertile area, another on a fertile one, nor to the fact that one lived where there were no minerals at all and the other at the mouth of a coal or gold mine. We should expect such differences in natural surroundings to be counterbalanced by differences in the rent the families would have to pay if they did not own the land, and if they did own the land we should regard the resulting differences as the consequence of differences in the amount of property held by them, just as much as if the property they owned was somewhere



else. Nor would any one think of attributing the superiority of one family over that of another to the one having adopted a superior "fiscal policy." The idea of "fiscal policy" in relation to the single family would not be likely to occur to any one. Yet some at least of the ideas embodied in the fiscal policies of the past and present could conceivably be carried out. The mediæval maxim that money should on no account be allowed to go out of the country could be carried out if a family refused to buy anything from outside. The later maxim that trade must be so regulated as to bring as much money as possible into the country by a "favourable balance" could be carried out much more easily by a family than it ever could be by a State; all that would be necessary would be for the family to be careful not to spend in purchases as much money as it got by sales, and not to lend out the surplus nor even deposit it in banks, but put the money in a stocking or a hole in the ground. The self-sufficiency of the territory, which the advocates of one fiscal policy desire so strongly, could be obtained in any required degree by abstention from purchases of commodities and services, even when it was evidently easier to procure these things by the indirect method of making other things, selling them for money, and then buying what was wanted with the money so obtained. Finally, full employment could doubtless be secured quite easily by simply attempting to produce everything required on the given spot; the employment might not receive much remuneration, but that is another matter, usually regarded as immaterial by the

fiscaliters. All these ideas would seem ridiculous to the single family.

Now let us take as examples the inhabitants of somewhat larger territories, such as English counties. To give a touch of reality we will take two actual counties, Hereford and Durham, but we need not trouble about the precise facts, nor even commit ourselves to any opinion on the question whether the people of Durham or Herefordshire are actually the better off. All we have to do is to consider the main factors on which the answer to that question must depend.

First among these factors we may mention, as in the case of the single families just above, the different original qualities of the two groups of inhabitants. Inferiority in efficiency is constantly given as the explanation of the lower earnings of one large group of persons as compared with another large group carrying on the same kind of work in a different place. It is commonly said, for example, that the superiority of agricultural wages in the North of England is due to the greater efficiency of the workers. If the people of Durham are, on the average, gifted with greater strength of mind or body than the people of Herefordshire, we should expect them to earn more in the same time and so to be better off. Whether the two groups produce for their own consumption or for sale to others outside their territories will make no difference. If for their own consumption, the group producing most will obviously be better off than the other; if they sell to outsiders, they will have to sell in the world-market and consequently at the same price.

The only difficulty here is to account for the differences in personal qualities. Climate, no doubt, may have some influence. The Durham men, some will say, are superior because they live in a colder and drier part of the country, but there is probably little in this. Others will speak of differences of race, and say the Durham men are taller and stronger in consequence of the immigration of Northmen more than a thousand years ago; this is probably more important, though the assimilation of races by migration and intermarriage inside England has been proceeding for all that time. Possibly, too, the fact that the population of Durham has been increased largely by immigration, while Herefordshire has not attracted immigrants nor even retained its natural increase, may be supposed to favour the efficiency of the Durham population. It is usually thought that the people who migrate are superior to those who remain at home, and if this is so (it can scarcely be regarded as proved) a population largely consisting of immigrants, and possibly even a population consisting of the nearer descendants of immigrants, should be superior in quality to one consisting more entirely of natives and the descendants of natives. There is also usually less inbreeding among a population which is gaining by migration, and inbreeding is often considered inimical to efficiency.

Secondly, as in the case of the single family, we have to think of the different occupations of the inhabitants of the two territories. Herefordshire is a county inhabited chiefly by agriculturists and persons whose trade must be carried on in the vicinity of agriculturists.



The only town of any magnitude is the county town, and that is little more than the necessary commercial and legal centre of such an agricultural district. But Durham, which has an agricultural population of nearly the same size as Herefordshire, has in addition about two persons engaged in shipbuilding and seven engaged in mining to every one engaged in agriculture. It follows that the comparative material welfare of the inhabitants of Durham and Herefordshire must largely depend on the material advantages of the agricultural occupations compared with those of shipbuilding and mining. If shipbuilders and miners are better off than agriculturists, the people of Durham will be better off than the people of Herefordshire. Consequently we have to ask ourselves why the inhabitants of some districts submit to belong chiefly to the poorly paid occupations while the inhabitants of other districts manage to adopt the better paid. We may, I suppose, attribute some small part of the phenomenon to differences in efficiency. The less efficient people are less likely to bring up each new generation to the best paid kinds of work than the more efficient. But this is a trifling matter compared with the simple fact that it is convenient for persons carrying on one trade to live and work principally or wholly in some places, and for people carrying on other trades to live and work principally or wholly in other places. It is not because the people of Hereford are weak, stupid, and wanting in energy that Hereford has not as many miners and shipbuilders as Durham, but because it has neither coal nor sea-coast. It is not because the inhabitants of Oxfordshire and Cambridgeshire

have some hereditary cleverness that they happen to contain an extraordinary proportion of well-paid teachers, but because some long-forgotten accident placed the two Universities in the county towns. It is not owing to the enervating nature of the climate of Poplar and West Ham, nor to the inferior character inherited from the particular Anglian families who settled there in the fifth or sixth century that those districts contain a large proportion of the worst-paid class of manual labour, but because the docks are there. The inevitable conclusion is that geographical features and those incidents which, because we know very little about them, we call historical accidents, play a great part in settling whether people who are well paid for their labour or people who are ill paid live in any given district.

Thirdly, again as in the case of the single family, the differing amounts of property owned by the inhabitants of different territories is an important factor in determining their comparative material welfare. The amount owned by the inhabitants is not to be confused with the amount of property apparently situated within the territory.<sup>1</sup> In Durham there is considerably less property liable to local rates under the English law per head of population—about £125 worth (in capital value) against £200 worth per head in Herefordshire. Moveable tangible objects, together with such in-

<sup>1</sup> I say "apparently" situated, because a great deal of property in modern times cannot be cut up and have its several parts attributed to the different small localities in which as a whole it is situated. At first sight it appears possible to allocate it, but the experience of the American property taxes shows that the possibility is only apparent.

tangible property rights as might be supposed to be somehow connected with the fixed property, are probably more important in Durham than in Herefordshire, and might thus restore the balance. But if we found that the total property thus connected with the two counties worked out to exactly the same value per head of population, should we be justified in assuming equality between the two populations so far as property was concerned? Certainly not, since the inhabitants of each county own much property outside it, and many persons who are not inhabitants own much property inside it. Equality would only be present if the balance of the two amounts was the same in the two counties. In fact, the balance is probably in favour of the inhabitants of Herefordshire. It is probable that the amount of property held outside Herefordshire by inhabitants of Herefordshire exceeds in value the property within Herefordshire held by people living outside, whereas the contrary is probably true of Durham. Does any one ask why this should be so? Simply because owners of agricultural properties find it pleasant and convenient to live on them, while owners of mining and shipbuilding properties do not. Neither a colliery nor a shipyard are pleasant things for a wealthy person to live alongside of, and there is the further fact that the shipyards belong largely to shareholders whose avocations lie elsewhere. There can be no doubt about the importance of this cause of difference whenever small territories are under comparison. The inhabitants of Mayfair are richer than those of Wapping because a richer class of persons select Mayfair for their residence.



The average wealth of the people of Sussex is increased by the fact that it is a pleasant place of residence and convenient for London work or amusement. The parish of Dornoch must have the wealth of its inhabitants enormously increased, and the county of Sutherland must have the wealth of its inhabitants considerably increased simply by the fact that Mr. Carnegie chooses to live at Skibo Castle instead of nearer the sources of his riches.

This is all fairly simple. The only question is whether in the case of territories as large as English counties it is true, as in that of the smallest possible localities, that we should not think of attributing the superiority in material welfare of one whole population over that of another directly to the fact that the one lived on an area which was more fertile or contained a better or more accessible underground store of minerals than the other. What the question comes to in our example is this: Are the natural advantages of Durham over Hereford—its possession of coal and a sea-coast with harbours—entirely appropriated by the owners of property (whether resident in Durham or elsewhere), or is there a certain part which is unappropriated and consequently obtained by the mere propertyless workers? The question is not to be disposed of by a negation based on the proposition that if there were any such unappropriated item workers would migrate into Durham, with the effect of cheapening work and raising the value of property so that the unappropriated item would become appropriated. This migration into Durham is precisely what did take place for many years prior to 1881: so long as it went on it

showed that Durham was attractive, and the fact that it was attractive was due to there being something unappropriated which the workers managed to get. But as between one English county and another a very small advantage will turn the scale in the matter of migration. Migration such as is required does not mean the rooting up of middle-aged people, but only a slight trend of the annual new recruits to the army of labour in one direction rather than in another. Moreover, though such attractiveness may endure for several generations, it is properly regarded as a "temporary" phenomenon. Durham in recent decades has not quite succeeded in retaining the whole of the "natural increase" of its population. It is perfectly true that in time the immigration into such a district will cause its advantages to the workers to sink to a level with those of other districts.

If Herefordshire and Durham each had their own customs duties and had adopted different "fiscal policies," the advocates of the Durham policy would contend that the inhabitants of Durham were much better off than those of Herefordshire, and that the superiority of their condition was entirely due to their fiscal policy: the advocates of the Herefordshire policy would contend that the inhabitants of Herefordshire were much better off than those of Durham, and that this was entirely due to the Herefordshire fiscal policy being superior to that of Durham. The important considerations which we have just dealt with would be ignored altogether unless the difference in material welfare between the two counties was so great that one of the two parties lost all hope of

being able to show that the county which had adopted the policy it favoured was, in fact, the better off. In that case this party might begin to point out that there were other things besides fiscal policy to be thought of, but this would be loudly hailed by the second party (and secretly regarded by the first party) as a last and almost desperate resource. As things are, neither county having had the opportunity of adopting any fiscal policy, no one troubles himself about the facts, and no one is able to contend that the superiority of the one county over the other is due to its greater wisdom in fiscal matters.

But if statistics of imports into and exports out of each of these counties were collected and made available, it is certain that in each county persons would be found to contend that it would go to ruin unless it carefully regulated its foreign trade by means of customs duties. In the remote past these persons would have contended that as money was very useful to the people of the two counties, and there were no gold or silver mines within their boundaries, it was necessary to prevent any gold and silver going out of the county when it had once been got into it. Later, they would have contended that this was a mistake, but that what was really wanted was a careful attention to the balance of trade and such a manipulation of duties and prohibitions as would secure a perpetually favourable balance and consequent net importation of gold and silver. Later still, when it had been conclusively shown by theory and experience that wherever there is a sound currency there will be a sufficiency of money—that, in other words, if legislators will look



after the quality of the currency, the quantity will take care of itself—the advocates of the manipulation of external trade would have fallen back on special doctrines made up to suit the circumstances in which they found themselves. In Herefordshire, which exports agricultural produce and imports coal and manufactured articles, they would have contended that agricultural counties were always poor, and that the people of Herefordshire should therefore force themselves to become manufacturers or, at any rate, attract manufacturers from other counties by preventing themselves, either by prohibition or by duties, from buying manufactured articles produced outside the county. In Durham, which imports agricultural produce and exports coal and ships, they would have contended that it was necessary for the physique of the people of Durham that they should grow inside the county all the food they required, however numerous they might be, and that their exportation of coal meant that they were living on their capital and providing their shipbuilding competitors with fuel to their own damage. The advocates of manipulation in each county would have shut their eyes to the fact that the advocates in the other were using arguments inconsistent with their own, and their opponents would in all probability have neglected to draw attention to the fact, so that the question at issue would have escaped all discussion on broad lines. While inconsistent arguments based on the special circumstances of each county were being used in this way, there would also have been some attempt in both counties to prove that if customs duties were imposed upon the importa-

tion of almost any article, an appreciable portion of the duty would be paid by the outside producers, so that the people of each county would gain something at the expense of all the others by imposing import duties, though it might possibly be better for all the counties taken together to agree to refrain from imposing any. In the fortunate absence of statistics of imports and exports, no one in either Herefordshire or Durham seems ever to have thought of advocating a "county policy" which should enrich the people of the county at the expense of outsiders.

We may now proceed to examine the case of "nations"—groups of persons inhabiting areas usually larger than those of the biggest English county and invariably possessing independent systems of customs duties. There is no reason for supposing that the circumstances which we found to be the main factors in determining the comparative material welfare of the inhabitants of a couple of English counties are not also the main factors in determining the comparative material welfare of "nations."

In the first place, there is the difference in the efficiency of the various nations due to difference of racial qualities and to the climate of the territory occupied. Of course, to explain a difference in efficiency as the result of original difference in racial quality does not take us very far. To complete our knowledge we ought to know why races with small efficiency have settled in one place and races with great efficiency in another. But in the present state of knowledge we cannot say much about this. All the earlier wanderings of the different stocks

of mankind are wrapped in obscurity. We know a great deal about the reasons why the present North and South Americans are what they are, but we know very little about the reasons why Germany contains Germans, India Indians, and China Chinese. Nor can we say much about the probabilities of the future. All that seems certain is that at present it is becoming more and more difficult for one stock to destroy another or violently dislodge it from a territory which it has once occupied. There are few stocks now left which are likely to yield place to others with the rapidity and completeness of the Red Indians and the Australian aborigines. It appears likely that there will be a very slow amalgamation of various stocks, and that while this is going on others will decline imperceptibly till nothing is left of them. But meantime we are perfectly justified in treating original differences in racial characteristics as a cause of difference in efficiency, and consequently in material welfare.

Original racial qualities are constantly being modified by migration, and if we take the view that inbreeding is likely to produce inefficiency and "new blood" is likely to produce efficiency, we may suppose that a country into which there is a net immigration is more likely to have efficient inhabitants than one from which there is a net emigration, since, *ceteris paribus*, there will be more new blood in it. And if it is true, as often alleged, that emigrants are generally superior to stay-at-homes, the country of immigration will tend to be superior to that of the country of emigration from that cause also.

The effects of climate are doubtless much



more important in regard to the inhabitants of "national" territories than in regard to those of smaller territories such as English counties. We have no hesitation in attributing any want of efficiency which we find in Italy or India compared with colder and drier countries to the "enervating" character of the climate of a large part of those countries. But it is well to be cautious in this matter. It seems possible to live up to any given standard with less labour (of a given efficiency) in warm than in cold climates. The clothing, the shelter, and the food required are all less in amount. Consequently the refusal of the inhabitants of the warm country to work as strenuously as the inhabitants of the cold country may be the result of deliberate and wise choice rather than of incapacity. We must remember, too, that the effects of climate are awkwardly mixed up with those of original differences of race, since it is doubtless true that the most energetic races have on the whole been the most successful in securing, not perhaps always "places in the sun," but, at any rate, situations in the surroundings, including climate, which they imagined to be the best.

Whatever may be the truth with regard to the comparative importance of climate and original racial qualities, it will scarcely be questioned that the difference in efficiency resulting from the differences in these two circumstances is a more important factor in determining the material welfare of nations than in determining that of territorial groups of inhabitants inside the nations. But it is desirable to bear in mind that this is not because the nations are political units or because they have each a customs

system of their own, but simply because they are bigger. If we had to divide the world into territories which differed in the extent to which the efficiency of their inhabitants was favoured by racial qualities and climate, we should use divisions still bigger than nations and disregard a good many international boundaries. The longest boundary in the world between two nations, that between the United States and Canada, would be disregarded, and so also would many of the intra-European boundaries.

Secondly, in regard to nations, as in regard to the inhabitants of smaller areas, we have to think of the occupations of the inhabitants. The time when it was possible to suppose each nation providing for practically all its own wants directly is past. Then it was legitimate to assume that the occupations of different nations were all the same except in so far as the richer would be able to devote a rather larger proportion of the whole of their labour to producing the less necessary articles. Now the growth of international trade means that the people of one nation produce things largely for other nations as well as for themselves. Each people becomes to some extent specialized, producing commodities and even services which to a great extent are not consumed at home but are sold on the world-market. It follows that the wealth of the inhabitants of a national area is largely affected by the occupations followed by them. If, from whatever reason, they are predominantly engaged in occupations which are the poorly paid occupations of the world, their wealth will be, so far, less than if they were chiefly employed in the highly paid occupations.

The chief actual difference here arises from the fact that certain countries are more suitable than others for the residence of the well paid commercial class. Just as the wealth of London is swollen by the fact that its geographical position has made it a convenient place in which to carry on the commerce of the world, so, though of course to a less extent, is the wealth of the United Kingdom swollen by the fact that London is in it. A good deal of historical change in the comparative position of different nations is due to the fact that progress in knowledge and the spread of population has altered the relative advantageousness of the different parts of the world. The shores of the Mediterranean at one time had the advantage in this respect: the discovery and use of the way round the Cape improved the relative position of this country and the Netherlands: the Suez Canal perhaps worsened it and benefited the European continent: the Panama Canal seems likely to improve the position of the United States. Railways, of course, have immensely benefited inland countries compared with maritime ones.

Even in manual occupations there is a difference between different nations which causes some to earn less than others with only equal efficiency. It is obvious that in some countries agriculture and other poorly paid manual occupations engage a larger proportion of the population than in others. A country which exported nothing but wheat would have, *ceteris paribus*, a poorer set of inhabitants than one which exported nothing but mathematical and astronomical instruments. But the range is not very great here, and on the whole we must



pronounce this cause of difference to be of less importance in regard to nations than in regard to smaller areas, such as English counties.

Thirdly, we have differences arising from the different amounts of property held by the inhabitants of the different countries. This has long ceased to be almost entirely determined by the number of people in the country and the amount of property within the country. It may happen, as it happened to the Transvaal when it was a separate country, and still happens, though in a less degree, to the Union of South Africa, that an overwhelming proportion of the valuable natural resources of the country and of the instruments used in working them belong to people who are not resident in the country : or that some valuable property within the country, though it belongs to the inhabitants, has been provided with borrowed money, on which interest has to be paid, as is the case in India and Australia. And on the other hand, the inhabitants of a country often hold property abroad, as happens in the case of the United Kingdom, the inhabitants of which draw more than £2 a head from their property outside the country. Monte Carlo is probably the richest country in the world owing to this cause, but for the larger countries it cannot amount to very much, being only at the extremes two or three pounds to the good and probably not more to the bad.

It is very important all the same, because it means that the income of the inhabitants of a country is not, as we are apt to think, dependent on the value of the things therein. There is no necessary connection between the two. In modern civilization the inhabitants of a country,

*as such*, do not own the country and all that is therein : they simply own their property wherever it may happen to be situated : the people who own the country are the proprietors, wherever they may happen to live.

Fourthly, there may be some temporary but possibly very long-continued difference of earnings owing to some countries being "new" and others "old." By a "new" country we seem to mean one which has not been open to settlement from the parts of the world settled earlier for a time long enough to allow migration to fill it as full as the "older" parts. Owing to the somewhat smaller repletion of these territories with human beings, the natural resources are not quite of such high value as they would be if they were situated in long-settled parts. The fertile virgin soil in Alberta is not worth as much to its proprietors as it will be when the distribution of population between the Eastern and Western Hemispheres has been rectified by a few more decades or perhaps centuries of migration westward. Meantime the mere workers who go get a slight advantage over those who stop at home. If they did not there would be no attraction. The attraction is really afforded by the migrants receiving a small share in the value of the natural resources.

So apart from any superiority in efficiency, such as I suggested exists in a country of immigration, we may expect to find some superiority of earnings in new countries from this cause, just as I showed we might expect it in an English county occupying a position like that of Durham in the decades before 1881. As between nations we should expect

this to be more important than as between countries, since the migration is less easy. The movement from Europe to America has been going on for centuries and is yet far from complete.

It is likely that the workers of the new country and their descendants, considered simply as individuals, will benefit by the immigration of new workers, since these workers are always likely to be hewers of wood and drawers of water who produce things cheaply for the already established inhabitants. To oppose their arrival from the point of view of the intelligent individual is like opposing the arrival of horses: horses deprive men of some kinds of employment altogether, but raise their remuneration by cheapening products which they consume. If horses worked for wages, the arrival of further contingents would lower the wages of horses, but would do no harm but good to the men workers. In the same way, the arrival of Irish raised the position of previously established workers in the United States, and the arrival of Italians, Hungarians, and such-like raised the Irish already established there.

But workers are apt to think of themselves as a class, especially if they have organizations of the nature of trade-unions, which necessarily represent a class rather than a number of individuals. Class feeling resents any lowering of the *per capita* income of the class, even when it is merely the result of the introduction of new members who have improved their own position by gaining admittance without worsening the position of the individuals already within the class. Hence it is natural that the workers of new countries, especially when



represented by their organizations, should favour restrictions on immigration.

The most actually effective of restrictions on immigration are doubtless those which are inspired by race antipathy. They are imposed by people who say, "Which race is to fill up this continent? Yours or ours? We say ours." It may be possible that some of these can be defended on the ground that they segregate a race or races which have not as yet at any rate sufficient control over their own multiplication. If any people acts as if its ideal of progress was, in J. S. Mill's picturesque phrase, "a human anthill," it is probably desirable that it should be confined within as narrow limits as possible. It is better that it should learn that overpopulation is an evil, and how to avoid it, in one country or continent, than after extending it all over the world.

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