

*RECIPROCITY THE TRUE FREE TRADE.*

It is usually said that the English are a practical people; that they prefer experience to theory, and will seldom follow out admitted principles to their full logical results. But this hardly represents them fairly, and many facts in their history might lead an outside observer to give them credit for exactly opposite qualities. He might even say that the English race are more guided by principles than any other, because, though it takes them a long time to become satisfied of the truth of any new principle, when they have once adopted it they follow it out almost blindly, regardless of the contempt of their neighbours, or of loss and injury to themselves. As an example, he might point to the English race in America, who, having at length seen that slavery was incompatible with the principles of their own declaration of independence, not only made all the slaves free, but at once raised the whole body of those slaves, degraded and ignorant as they were, to perfect political equality with themselves, allowing them not only to vote at parliamentary elections but to sit as legislators, and to hold any office under Government. In England itself he would point to our action in the matter of education and free trade. Till quite recently, public feeling was overwhelmingly in favour of leaving education to private and local enterprise; it was maintained that to educate children was a personal not a public duty, and that you should not attempt to make people learned and wise by Act of Parliament. At length a change came. Public opinion and the legislature alike agreed that to educate the people was a national duty; and so thoroughly is this idea now being carried out, that food for the mind is looked upon as of more importance than food or clothing for the body, and parents who cannot earn sufficient to keep their children in health are fined, or at all events made to lose time, which is to them often the cost of a meal, because they do not send their children to school, and either themselves pay the school fees or become paupers. An even more remarkable instance of devotion to a principle might be adduced in our action with regard to free trade. Till a generation ago we put heavy import duties on food of all kinds, as well as on many other raw products and manufactured articles. On this question of the

free import of food for the people, the battle of free trade was fought, and, after a severe struggle, was won. The result was that the principle of universal free trade gradually became a fixed idea, as something supremely good and constantly to be sought after for its own sake. Its benefits were, theoretically, so clear and indisputable to us, that we thought we had only to set the example to other nations less wise than ourselves, who would be sure to adopt it before long, and thus bring about a kind of commercial millennium. We did set the example. We threw open our ports, not only to food for our people, but to the manufactured goods of all other nations, though those goods often competed with our own productions, and sometimes produced immediate misery and starvation among our manufacturing classes. But, firm to a great principle, we continued our course, and notwithstanding that after nearly twenty years' trial other nations have *not* followed our example, we continue to admit their manufactures free, while they shut out ours by protective duties.

These various instances do not support the view that we are especially *practical* in our politics, but rather that we are essentially *conservative*. We possess as a nation an enormous *vis inertiae*. A tremendous motive force is required to set us going in any new direction, but when once in motion an equally great force is requisite in order to stop or even to turn us. After spending so much mental effort and so much national agitation in deciding to adopt a new principle, we hate to have to review our decision, to think we have done wrong, or even that any limitations or conditions are to be taken into account in the application of it. This rigid conservatism is well shown in the treatment of the demand of many of our manufacturers and some of our politicians for a fresh investigation of the subject of free trade by the light of the experience of the last eighteen years. They put forward 'reciprocity' as the principle on which we should act, and they are simply treated with derision or contempt. They are spoken of as weak, or foolish, or ignorant people, wanting in self-reliance, and seeking to bolster up home productions by a return to protection; and this is the tone adopted by the press generally, and by all the chief politicians, both Liberal and Conservative. Little argument is attempted; the facts, of increased imports and diminished exports, and of widespread commercial distress, are explained away, as all facts in such a complex question can be, and the names of Adam Smith and Cobden are quoted as having settled the question once and for ever.

Now this mode of treating an important subject which affects the well-being of the nation is not satisfactory. No one believes more completely than myself in the benefits of free trade, or the impolicy of restricting free intercourse between nation and nation any more than between individual and individual; but, like most other principles, it must be subject in its application to the condi-

tions imposed upon us by the state of civilisation and the mutual relations of the independent countries with whom we have dealings. Nobody 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 cannons if we can prevent it; and the mere fact that restriction in these cases is necessary should make us see that no commercial principle, however good in itself, can be of universal application in an imperfect human society.

The essence of free trade is its mutuality. Its whole value depends upon the almost self-evident proposition, that, *if each country freely produces that which it can produce best and cheapest, and exchanges its surplus for the similarly produced products of other countries, all will derive benefit.* As an argument against the old policy of bounties and monopolies and prohibitory import duties, and the idea that it was best for a country to produce everything for itself and be independent of all its neighbours, this was irresistible, and it did good work in its day. But people were so impressed with its self-evident common-sense (which it yet took them so many years of hard struggle to force upon a reluctant and conservative population) that having once got it, they set it up on high and worshipped it, as if it were a moral truth, instead of a mere maxim of expediency calculated to produce certain economical effects if properly carried out. They have thus been led to overlook two important aspects of the question, which must be carefully studied and acted upon if we are to obtain the full benefits to be derived from free trade. The one is, that, even if universally adopted—that is, if no artificial restrictions were imposed by any nation on the trade of any other nation with it—there are yet many conceivable cases in which its full application would produce injurious results, morally, physically, and intellectually, which might so overbalance the mere commercial advantages it would bestow, as to justify a people in voluntarily declining to act up to the principles it enunciates. The other is, that even the commercial advantages depend on the *whole programme* of free trade being carried out, and that if the first half of it is neglected—that is, if each country does not *freely produce* that which it can *naturally* produce best and cheapest—then it may be demonstrated that one entire section of the benefits derivable from free trade, and perhaps the most important section for the real well-being of a nation, is destroyed. These two points are of such importance, that they deserve to be carefully considered.

Admitting that free trade will necessarily benefit a country materially, it does not follow that it will be best for that country to adopt it. Man has an intellectual, a moral, and an æsthetic nature; and the exercise and gratification of these various faculties is thought by some people to be of as much importance as cheap cotton, cheap

silk, or cheap claret. We will suppose a small country to be but moderately fertile, yet very beautiful, with abundance of green fields, pleasant woodlands, picturesque hills, and sparkling streams. The inhabitants live by agriculture and by a few small manufactures, and obtain some foreign necessities and luxuries by means of their surplus products. They have also abundance of coal and of every kind of metallic ore, which pervade their whole country but which they have hitherto worked only on a small scale for the supply of their own wants. They are a happy and a healthy people; their towns and cities are comparatively small; their whole population enjoy pure air and beautiful scenery, and a large proportion of them are engaged in healthy outdoor occupations. But now the doctrines of free trade are spread among them. They are told that they are wasting their opportunities: that other nations can supply them with various articles of food and clothing far cheaper than they can supply themselves; while they, on the other hand, can supply half the world with coal and iron, lead and copper, if they will but do their duty as members of the great comity of nations, and develop those resources which nature has so bountifully given them. Visions of wealth and power float before them; they listen to the voice of the charmer; they devote themselves to the development of their natural resources; their hills and valleys become full of furnaces and steam-engines; their green meadows are buried beneath heaps of mine-refuse or destroyed by the fumes from copper-works; their waving woods are cut down for timber to supply their mines and collieries; their towns and cities increase in size, in dirt, and in gloom; the fish are killed in their rivers by mineral solutions, and entire hill-sides are devastated by noxious vapours; their population is increased from ten millions to twenty millions, but most of them live in 'black countries' or in huge smoky towns and, in default of more innocent pleasures, take to drink: the country as a whole is more wealthy, but, owing to the large proportion of the population depending upon the fluctuating demands of foreign trade, there are periodically recurring epochs of distress far beyond what was ever known in their former condition.

With this example of the natural effects of carrying out the essential principles of free trade, another people in almost exactly similar circumstances determine that they prefer less wealth and less population, rather than destroy the natural beauty of their country and give up the simple, healthful, and natural pleasures they now enjoy. They accordingly, by the free choice of the people in Parliament assembled, forbid by high duties the exportation of any minerals, and even regulate the number of mines that shall be worked, in order that their country shall not be changed into a huge congeries of manufactories. A balance is thus kept up between different industries, all of which are allowed absolutely free development so long as they do not interfere with the public enjoyment, or cause any permanent



deterioration to the water, the soil, or the vegetation of the country. They are in fact protectionists, for the purpose of preserving the beauty and enjoyability of their native land for themselves and for their posterity. Free trade would destroy these, and give them instead cheaper wine and silk, stale eggs instead of fresh, and butter ingeniously manufactured from various refuse fats. They prefer nature to luxury. They prefer intellectual and æsthetic pleasures, with fresh air and pure water, to an endless variety of cheap manufactures. Are they morally or intellectually wrong in doing so?

Again: there may be, and probably are, countries which produce nothing that some other country could not supply them with cheaper. But as the populations must work to live, they have to contravene the essential principle of free trade and produce the necessities of life dearly for themselves. Such people could hardly export anything. They must necessarily be poor, and their surplus population must emigrate; but these very conditions might be highly favourable to social and moral advancement and a not inconsiderable share of happiness. Theoretically, such a people ought not to exist, since they only produce what can be produced with much less labour elsewhere; yet conditions approaching to these have led to the development of one of the freest and most enviable people of Europe—the Swiss.

It is indeed fortunate that most countries are so varied as they are, and that none are so peculiar as to be adapted for the economical practice of one industry only. For if they were, the principles of free trade would in time lead to the whole population being similarly employed; they would become parts of a great machine for the growth of one product or the manufacture of one article. It surely will be admitted that such a state of things would not be desirable for any country; and it thus seems as if nature herself had taught us that the principle of each country limiting its energies to the one or two kinds of industry it can practise best and cheapest, though commercially sound, cannot always be carried out without injury, and must always be subordinated to considerations of social, moral, and intellectual advantage.

We will now come to the other essential point—that the whole programme of free trade must be carried out if its advantages are not to be overbalanced by disadvantages. That programme is, that each country shall *freely* produce that which it can *naturally* produce best, and that all shall *freely* exchange their surplus products. But after eighteen years' example on our part, no other country approaches to this state of things. By means of protective duties they all artificially foster certain industries, which could not long survive under that open competition which is the essence of free trade. In all the recent articles and discussions on this subject which I have seen, the extreme free traders, without exception, maintain that this

makes no difference, and that because the competition of such artificially supported industries keeps down prices here, therefore it benefits us and injures only the protectionist peoples. But this argument entirely ignores the element of *stability* and *healthy growth*, an essential to the prosperity of all industrial pursuits, and of every manufacturing or trading community. When a country is developing its natural resources without the artificial stimulus of bounties or protective duties, its progress may not be very rapid, but it will be sure, and for long periods permanent. It will depend upon the attraction of capital to the industries in question, the training up of skilled workmen, the making its way in foreign markets, and other similar causes; and under a system of general free trade, these will not be subject to extreme fluctuations, and the industry in question will be stable as well as prosperous. No one can doubt that such 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; whereas the contrary condition of instability and fluctuation is the most disastrous and disheartening. But such instability is the necessary result of the trade of one country being subject to the ever-changing influences of the protectionist legislation of other countries. When, after acquiring a natural supremacy in any industry, we are suddenly shut out of a market by prohibitive duties, and subjected to the competition which those duties bring upon us, disturbance, loss, and suffering are sure to be caused both to capitalist and workman. Here then we are deprived of what is really the most important advantage of free trade, by the action of other countries. Is there either reason or justice in passively submitting to this deprivation? and is there any mode of action by which we can gain for ourselves the benefits of that system of freedom which we have so long magnanimously offered to all the world? I venture to say that there is, and that by a consistent and clearly marked course of action we can prevent other nations from injuring us by their various phases of protectionist policy, while we retain whatever benefits free trade can give us; and further, that while thus ourselves carrying out the essential spirit of a free-trade policy, we shall be in possession of the most powerful conceivable engine to convert others to its adoption.

Before proceeding to explain my plan, let us see what other schemes have been put forth by the advocates of reciprocity. As far as I can make out, they are two only: the one to put a small uniform *ad valorem* import duty on all foreign-manufactured articles; the other to arrange, by treaties of commerce or otherwise, a scheme of reciprocal import duties which shall be adjusted so as to benefit both parties to the arrangement. The objection to the first is, that it is giving up the whole principle of free trade, and neither public opinion nor the legislature would sanction it; while the second is vague, and

involves innumerable questions of detail, and equally gives up the principle of free trade with the first. To these objections I add one of my own, that by neither plan could we secure that stability and unchecked development of our resources which is the most valuable of all the results of complete free trade. We should not thereby prevent other nations from influencing our industries prejudicially when with changes of government come changes of policy. Bounties might still be given or increased, import duties might be raised or lowered, and the capital invested in some of our industries to supply both a home and foreign demand now, might be greatly depreciated or even rendered worthless by the unexpected action of a foreign protectionist minister a few years hence.

Hoping to get some further light on this subject, I turned to Professor Fawcett's volume on 'Free Trade and Protection,' feeling sure that I should there find the question fairly stated and the reasons against 'reciprocity' fully set forth. To my great astonishment, however, I find that Mr. Fawcett's arguments are entirely directed, not against 'reciprocity' of import duties, as I understand the term, but against two totally distinct things—'retaliation' towards such foreign countries as tax our products, and renewed 'protection' of our domestic industries—both of which are clearly proved by him, and are freely admitted by me, to be useless or injurious to ourselves. Thus at p. 63 he says: 'If we desire to *retaliate* with effect upon America for the injury which, by her tariff, she inflicts on our commerce;'—and on the same page, 'If, therefore, we desire to make the American people *suffer* some of the same loss and inconvenience which they inflict on our commerce;'—and again, at p. 162, he speaks of the objection 'against imposing a duty on some article of French manufacture, with the view of *punishing* the French for refusing to renew the Commercial Treaty.' Surely such expressions as these which I have italicised, are unworthy of an argumentative work on political economy and of Professor Fawcett's high reputation. The desire of our manufacturers and workmen to enjoy the legitimate benefits of free trade, and to be guarded against the injury admitted to be done to them by the arbitrary and uncertain departures from its principle by other nations, is a very different thing from 'retaliation' or a revengeful wish to make others suffer.

Professor Fawcett also argues, as it appears to me very unsoundly, that because the import of goods which compete with our manufactures is often *comparatively* small, therefore the injury done or the distress caused is proportionately of small amount. Surely he must know that there is often a very narrow margin between profit and loss in manufactures, and that the importation of a *comparatively* small quantity may determine the price at which a much larger quantity must be sold. It is a well-known fact that the increased

economy in working to the full power of a factory is such, that the surplus so produced may be advantageously sold at less than the actual cost, owing to the increased profit on the bulk of the goods manufactured at a lower average cost. Foreign manufacturers, protected by import duties against competition by us, enjoy practically a monopoly in their own countries, and can secure such a profit on the bulk of their goods sold at home that they can afford to undersell us with their surplus stocks. These vary of course with variations of trade, and thus our manufacturers are at any time liable to great fluctuations of prices owing to such importations. It is a weak and miserable answer to say that the people benefit by the low prices thus caused; for the great mass of our people are producers as well as consumers, and almost every article we either produce or manufacture is subject to the injurious effects of the influx of surplus stocks from protected countries. There is no comparison between the great loss and suffering thus caused, and the small advantage to the consumer in an almost infinitesimal and often temporary lowering of the retail price of goods the majority of which are *not* prime necessities of life.

But there is a very simple mode by which we *can* obtain that stability which general free trade would give us, and which, as I have endeavoured to show, 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, that 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 be always free from unfair competition, while neither asking nor receiving a shred of protection from that fair competition of naturally developed industries which is alone compatible with the principles of free trade. There will then be every incentive to exertion in order to bring our manufactures up to the highest standard, so that they may compete with the best productions of other nations, without any fear that when they have achieved an honourable success they may be deprived of their reward by an additional weight of protective duties against them.

It is urged against the advocates of reciprocity that they are vague in their suggested remedies, and, when asked to specify their proposals, 'escape in a cloud of generalities.' No one can make this charge against my proposal. It is sufficiently clear and sufficiently definite. Neither are Professor Fawcett's objections—that 'a policy of reciprocity is impracticable,' and that, once embarked on it, trade



after trade would claim protection—at all more to the point. Every trade and industry would be treated alike. All would have a free field and no favour. And as regards foreign countries we should strictly do as we are done by, and as we would be done by, and no more. We should make no attempt to injure them or retaliate on them, but should simply and exactly neutralise their interference with free trade as between us and them.

As I am here discussing an important question of principle, to which, if it can be clearly established, our practice should conform, I am spared the necessity of adducing that array of statistics which is generally made use of in arguments on this subject. It is well, however, to give one or two illustrative cases. Professor Fawcett clearly proves, that the effect of the French sugar bounties is, that sugar is sold in England under its cost price in France, and that the only people who benefit by it are the proprietors on whose land beet-root is grown, and the people of this country, who get sugar practically cheaper. He admits, however, that ‘considerable injury is, no doubt, inflicted on English sugar refiners by the French being bribed by their Government to sell sugar in the English market at a price which, without a State subvention, would not prove remunerative;’ but, he adds, ‘if we embark on the policy of protecting a special trade against the harm done to it by the unwise fiscal policy of other countries, we shall become involved in a labyrinth of commercial restrictions,’ &c. Surely this is a very vague and unsatisfactory reason why our home and colonial sugar manufacture should be left at the mercy of a foreign Power. For if the French Government at any time and for any reason still further increase the sugar bounties, they might completely ruin many of our manufacturers; while some future ministry might abolish them altogether, and then, when fresh capital had been drawn to the manufacture, it might be again ruined. Are we to submit to this, on account of the shibboleth of what is miscalled ‘free trade,’ when the imposition of an import duty of the same amount as the bounty would prevent all such fluctuations? By this course we should leave to France the full benefit of her *natural sugar-producing capacity*, only taking away from her the power to cause commercial distress in our country and our colonies by a course of action which is liable to unforeseen changes at the whim of a minister or a political party. Exactly the same arguments apply to our paper manufacture, which is injured in the same way by foreign export duties on the raw material and import duties on the manufactured article; and, on the true principles of free trade, it is entitled to have those duties *neutralised*, until the countries which impose them think fit to abolish them altogether.

In almost every civilised country, including our own colonies, the people naturally wish to develop their own resources to the utmost;

and we must all sympathise with this desire. But as they have in the first instance to struggle against old-established industries in other countries, the difficulties and risk are too great to attract the necessary capital, and they therefore endeavour to restore the balance in their favour by means of protective duties, professedly as a temporary resource till the new industry is well established. But Professor Fawcett assures us that, in the United States, in no single instance has a protective duty when once imposed been voluntarily relinquished, but, on the contrary, each case is made a ground for seeking, and often obtaining, further protection; and for about a century American protective duties have been constantly increasing. The same thing applies more or less in the case of other civilised nations with whom we have commercial intercourse, and thus all security for the investment of capital in any manufacture is taken away from our people. Whether in our mineral products or our hardware, our cotton, paper, silk, or sugar, or any other of the thousand industries on which the prosperity of our producers and workers depends, all alike are subject to periodical floods of the surplus stocks of other countries, from whose markets we are shut out by protective and generally prohibitive duties.

The advantage to foreign manufacturers, on the other hand, of having an open market for their surplus goods, while they are themselves protected from competition, is so obvious and so great, that, instead of our example having any tendency to make them follow in our steps, it really becomes a premium to them to continue their system of exclusion. They obtain all the advantages of free trade, we all the disadvantages of protection. Internal competition keeps down prices in a protected country to a fair standard, and thus the consumers do not materially suffer; while the free market we offer for surplus stocks gives to the manufacturers the great advantage of utilising their plant and machinery to its full extent, and thus working with a maximum of economy. Our boasted freedom of trade, on the other hand, consists in our being shut out of half the markets of the world, and in being further handicapped by the irregular influx of surplus stocks which foreign manufacturers are (in the words of Professor Fawcett) 'bribed to sell us under cost price!' How differently do we act when there is a suspicion of prison-manufactured goods competing with those of regular traders! The representations of those traders are always listened to with respect by our Government, and it is invariably admitted that they have a genuine case of grievance. They are never told that the people benefit, and therefore they must suffer: that prison mats and brooms can be sold at least a penny in the shilling lower than the usual prices, and that the public must not be deprived of this advantage, even though mat and broom makers starve. Yet this is the very argument used (and almost the only argument) in favour of our present system. The public (or a

section of it) get iron, and silk, and paper, and cotton, and sugar fractionally cheaper, owing to the influx of foreign-manufactured goods sold under cost price; therefore the manufacturers of all these goods, and the large proportion of our population who are engaged directly or indirectly in such manufactures, must alike suffer. The weakness of this argument has already been exposed, while its inconsistency, cruelty, and selfishness are no less obvious.

I have now, as I believe, pointed out a mode of action which we may, as free traders, consistently adopt; which will satisfy all the just claims of our manufacturers and workmen; which will give stability to our industries, and inspire confidence in our capitalists; and which, by neutralising the effects of the protectionist policy of other countries, will place us as nearly as possible in the position we should occupy were they all to become free traders. I have shown, that as long as we continue our present course of action we really offer them the strongest inducements to continue, or even to extend, their present policy of protection; while it is evident that if we simply neutralise every step they take in this direction, they will have no motive, so far as regards us, for continuing such a system. Arguments in favour of free trade will then have fair play, since they will not be rendered nugatory by the bribe our policy now offers them to uphold protection.

The objections that I anticipate to my plan are: first, that it is too complex, as it would compel us to adopt as against each country its own tariff, however cumbersome; secondly, that it would not satisfy those who now ask for another kind of reciprocity in the shape of special protective duties; thirdly, that it would diminish our commerce; and, fourthly, that it would be systematically evaded, and is therefore impracticable.

As to its complexity, I reply that it would really be the most simple of all tariffs, since it would be determined by one self-adjusting principle. The fact that the various lists of duties imposed by foreign nations would be lengthy, is really of no importance whatever. When alphabetically arranged, it is not more difficult to find one item among a thousand than it is among five hundred. It may also be said that we could not ascertain in many cases what the foreign duties really are, owing to the complications introduced by bounties, drawbacks, and various kinds of imposts distinct from the nominal import duty. But if we could not precisely estimate the amount of protection afforded in every case, we certainly could do so approximately; and we might trust to our consuls and our custom-house officials to arrive at a sufficiently accurate estimate.

If my proposal should not at first satisfy the present demand of our manufacturers for reciprocity, I am sorry for it; but that does not in the least affect the proposal itself, which has to be judged by the rules of logic, common sense, and expediency. I put it forward

as being strictly in accordance with the essential spirit of free trade; as a principle of action which has nothing in common with protection in any form, since its whole purport and effect is to neutralise all attempts at a protectionist policy by other countries. Argument and example have alike failed to influence them, but a check-mate of this kind may have a different result.

As to the third objection I maintain, that commerce exists, or ought to exist, for the good of the nation, not the nation for the good of commerce. If I have shown that the system of strict and detailed reciprocity here proposed would give us the most important of the benefits and blessings of free trade, and would thus be for the advantage of our entire industrial population, I need not concern myself to show that a section of the community which may have gained by the present false and one-sided policy will suffer no inconvenience should that policy be changed; for such arguments have always been put aside as irrelevant when free-trade principles have been at issue.

To the fourth objection, that our reciprocal duties would be evaded by passing goods through countries where they were allowed free entry, I reply, that the duty might be levied on each article *as being the product of a certain country*, from whatever port it was shipped to us. In most cases our custom-house experts would at once be able to say where the article was manufactured, and we might further protect ourselves by requiring satisfactory proof (such as a certificate from the manufacturer) that it was really the product of the country from whose port it was shipped, in order to be admitted duty-free. Even if we should be occasionally cheated, I cannot see that this is a valid objection against adopting a sound and beneficial course of action.

I have carefully spared my readers figures and statistics, but for those who wish to see how these apply to the questions here raised, I may recommend Sir Edward Sullivan's volume on *Protection to Native Industry*, and Captain Halford Thompson's pamphlet on *The Effects of Free Trade without Reciprocity*.

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