

rich, but also to alleviate the privations of the poor; but its beneficent operation in the latter direction is checked and counteracted by the vicious institutions just referred to; and civilisation is incomplete and abortive until those fertile causes of human misery are abolished. They can be abolished, for they exist through man's volition; and the power which instituted can annul them. That they will before long be abolished we earnestly trust, and we fervently entreat the co-operation of all who read these pages to that end. Every one can contribute something towards it by thought, or word, or deed, or vote. Let us never weary or despond, but pledge ourselves to work, and still to work, and ever to work, according to our means, in so holy a cause.

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### CHAPTER XIII.

Commercial Isolation—Protectionist Fallacies—Balances Due by one Country to Another are not Paid in Specie—All Commerce is Barter.

B. 4. COMMERCIAL ISOLATION.—We have fully expatiated in our earlier pages on the manifold advantages afforded by the "Division of labour," and by "Free commercial intercourse." We therefore shall have the less to say as to the evils of "Commercial isolation." For the evils of the latter mainly consist in ignoring and abjuring the manifold advantages on which we have already so emphatically dwelt. The higher the estimation

in which those advantages are held, the greater must be our appreciation of the evils and losses incurred by curtailing our availment of them. That curtailment statesmen have effected by cutting off industrially one country from the other, and substituting narrow and sectional for world-wide international division of labour. Whether countries be large or small, the isolation system (that is to say the protective system), in its logical completeness, decides that the division of labour shall not carry its operations beyond the boundaries of each; that the people who dwell within those boundaries shall not avail themselves of the co-operation of the people who dwell beyond those boundaries; and that they shall each supply their own wants as though there were no other countries or people in existence. In this way they will be "independent of foreigners."

Foreigners! A term implying a certain measure of contumely and reproach, as though "foreigners" were not brother-men accidentally born under a different longitude and latitude, and accidentally placed, by barbaric mediæval brute force, in a distinct section of the globe called another country—as though "foreigners" were inborn enemies and natural objects of repulsion! Well, be it so. The isolated nation will be "independent of foreigners." Very true; but it will forfeit all the advantages of the division of labour on a large scale. It cannot possibly enjoy at once the incompatible privileges of isolation and of co-operation. Under the isolation system each country is to produce enough of everything for

its own wants, and therefore, as it takes nothing from the foreigner, so neither can it give the foreigner anything. Hence follows the abolition of foreign commerce as well as the curtailment of the division of labour, for the essence of both is free interchange. All commerce is substantially barter.

It is true that such complete isolation as this has seldom rewarded the efforts of Protectionism. But instances are not totally wanting. China and Japan, until recently, had succeeded in being quite "independent of foreigners;" and there are still some savage islands scattered throughout the ocean, the natives of which decline commercial intercourse with other nations, and protect the labour of their own people by refusing admittance to the products of foreign labour. If we accept the Protectionist principle that every country should be self-sufficing, the practice of these islanders is strictly logical. In most countries, however, the practice of Protectionism has fallen short of its principles, and it has succeeded only in curtailing, not in abolishing, commercial interchanges between people and people. It has, therefore, not been able totally to abolish, but only to curtail, the beneficent operations of the division of labour. The practice of Protectionism has, nevertheless, done infinite mischief, and would have done much more could its principle have been fully carried out. That it should not have been carried out is due, not to the principles of its supporters, but to the laws of Nature. Nature, by parcelling out the globe into an endless

diversity of zones, climates, soils, &c., and assigning to each its special productions, has rendered compulsory a certain amount of interchanges between man and man, and has thus rebuked the doctrine that each country should be self-sufficing and independent of others.

To form a close estimate of the amount by which, had the principle of the division of labour been allowed full and free scope, the aggregate wealth of the world would have been increased, is manifestly impossible; but we might perhaps arrive at some rough notion of it. In a former chapter (see p. 24) we estimated the average percentage of the import duties which formed the frontier line between total prohibition from, and partial admission to, a protected country at forty per cent. In some cases it is much more, in others it is much less, but assuming forty per cent. as the average boundary which will, in spite of the duty, allow the admission of a certain quantity of foreign goods, the inference is obvious. Native goods must cost forty per cent. more than foreign goods. Of such articles, it is clear that the native producer can only produce one hundred, with the same expenditure of capital and labour as that with which the foreign producer can produce one hundred and forty. Hence it follows that, with free trade and universal and unimpeded division of labour among the fittest workers, one hundred and forty of such articles would have been produced for every one hundred that have been produced in protected countries, and the world would have been richer in that proportion. We shall not attempt the task of assessing the

value of all the commodities that are raised throughout the world under those conditions, and of which the cost is wilfully and uselessly enhanced forty per cent. by state interference with the self-directed flow of industry within its natural channels; but, without doubt, it must amount to an enormous and almost incredible annual sum.

The origin of this Protective system, which prohibits men from devoting their labour and capital to remunerative, and compels men to misdirect them to losing, pursuits is easily traceable to that war-engendered and war-engendering spirit of hostility between nation and nation, which is at once so needless and so baneful. The continuance of that system rests on the apathy of the multitude, who suffer in silence, because in ignorance of the cause—on its active advocacy by the few whose private are in opposition to the public interests—and on the subservience of statesmen who are far more anxious to propitiate the active few than to thwart them for the sake of the indifferent many.

That the great bulk of the people in all countries should not be yet aware of the injustice inflicted on them by the system is perhaps hardly to be wondered at. Its evils are not obvious because the losses it occasions are minutely subdivided among the millions. On the other hand, its apparent gains to a small class are made conspicuous, because they are cumulated upon a few hundreds. Big factories and their busy workmen are, in protected countries, ostentatiously exhibited as the noble results of the system, with the sarcastic question, "Is it then your aim, O ye free-traders,

to dismantle these spacious establishments and hush the busy hum of industry into barren silence?" Well, yes! it is certain that, as far as these costly establishments are devoted merely to protected industries, they are built out of subventions from the community at large—the workmen have been diverted from profitable work to this which is unprofitable (else, why the protection?)—and the more striking their vastness and splendour, the greater is the waste and loss which they entail. Every consumer is taxed for their maintenance, and suffers by their continued existence. They are palaces reared out of enforced contributions from the earnings of millions of toilers.

But the people will not always be blind to their own interests. The more the subject is discussed, the more visible will the truth in regard to it become. Indeed, we hail with joy every speech made, and every page written, by the advocates of Protection, for they contribute to rouse the public from their torpor, they stimulate it to inquiry—and they unwittingly help to unveil the fallacies which they are intended to justify.

We shall now proceed to collect and pass under review the most prominent or plausible of those pleas which have been adduced to justify the adoption of a Protective policy and the rejection of Free Trade. We shall endeavour to state them, discuss them, and refute them fairly, freely, and briefly. The Protectionist pleas we shall print in italics, to be followed by our remarks on each.

1. *Balances due by one country to another are paid for in specie. Hence, if the balance of trade be*

*against us, we shall be drained of our specie to pay for such balance.*

Now, in the first place, there is practically no such thing as a "balance of trade." The trade between two countries entirely consists of a series of commercial dealings between a number of persons in one country and a number of persons in the other; and there can be no national balance of trade, because each dealing (and it is of these that the totality is formed) is settled for at the time, and balances itself.

We, the inhabitants of any given country, may, it is true, buy from some countries more than we directly sell to them, but the difference is not paid for in specie; it is paid for by bills on other countries to which we sell more than we buy from them. On the whole, the commercial dealings of a country with the world at large are self-adjusting, and leave no balance to be paid to or from either side. But although there is no such thing as a "balance of trade," most countries do either import more from the rest of the world than they export to it, or *vice versa*; and it is this excess, on whichever side it may be, that is ordinarily, though wrongly, termed the balance of trade.

How such excesses arise we shall shortly see; here the question is simply whether it be true, as alleged, that if we import more than we export "we shall be drained of our specie to pay" for such excess of imports. Past history and present experience conclusively show that it is not true. Amounts due (from whatever cause) by one country to others are not paid for in specie. In England, our im-

ports have exceeded our exports, year after year, for more than a quarter of a century, by an average of about £50,000,000 a year; and yet throughout all those years, instead of our bullion having been drained from us, our import has largely exceeded our export of it. This fact is at once so undeniable and so conclusive, that we shall not waste time upon it.

The ebb and flow of bullion between various countries has comparatively a very small range, and depends almost entirely on their respective circulation requirements. Even in wealthy England, the abstraction of a few millions' worth of gold so deranges the circulation as to raise the rate of interest to a point sufficient to bring it back again. How, then, can any one dream of our sending away £100,000,000 of it annually to pay for our present annual excess of imports? The fact is, that every country possesses and retains as much specie as is required for circulation purposes—sometimes a little less, sometimes a little more, but never much less, nor much more. No country was ever drained of its specie by its foreign commerce. The only way in which a country can ever be denuded of specie is by the adoption of an inconvertible paper currency. The circulation requirements being in that case supplied by paper, the specie becomes surplusage, and is sent abroad, where its value is greater.

To sum up, the truth is that BALANCES DUE (FROM WHATEVER CAUSE) BY ONE COUNTRY TO ANOTHER ARE NOT PAID FOR IN SPECIE; AND NO COUNTRY HAS EVER BEEN DRAINED OF ITS

SPECIE THROUGH THE OPERATION OF FOREIGN TRADE.

2. *Commerce is not the exchange of goods for goods, which would be barter; but of goods for money, which is not barter.* It will not, we think, be difficult to show that the exchange of goods for money is virtually as much barter as though the goods were directly exchanged for other goods.

The only possible value of money consists in its purchasing power. Money is only worth what it can buy. Just consider. Of what possible use can money be if it be not used to purchase something with? Whether that "something" be commodities, or land, or labour, &c., matters not; the only worth of money is in its power to purchase such things. True, that it may be melted down and applied to manufacturing purposes, but then it ceases to be money, and becomes only a metal. A dollar may be converted into a pencil-case. In its latter shape it is useful, but has no purchasing power; in the former shape, it is utterly useless except by reason of its purchasing power. Now, in all commercial transactions, if the money which the seller of the goods receives for them is ever utilised at all, it can only be by the purchase with it of some other commodities. Hence it follows that, virtually, an interchange takes place between the commodities which that seller has sold for money and the other commodities which he has used that money in acquiring. All trade dealings are inevitably attended by the same process. No sale is made by any person without his making, sooner or later, a corresponding purchase. The goods so

sold are, virtually and substantially, bartered for the goods so purchased, and the money merely serves as the medium of interchange. In most cases the barter is not effected either directly or at once, and is only completed when the money received for the goods is made use of for some definite purpose. It may for a time be deposited in a bank, but it will not long remain idle. It may for a time be transferred from one person to another as a loan; but, soon or late (in most cases, soon), it is used as a payment in exchange for something, and that something is the "thing" for which the goods originally sold are ultimately bartered.

Occasionally a long time elapses before the barter is completed; as, for instance, when the receiver of the money, instead of using it at once, puts it in an old stocking and hoards it. The completion of the barter is suspended until the owner takes the money out of the old stocking and utilises it. He may use it, let us say, to pay the wages of labour; in which case the interchange is perfected, and the goods originally sold are bartered for labour. In point of fact, the money paid by the buyer to the seller is equivalent to a ticket authorising the holder to receive, in exchange for the goods which he has sold, other commodities to the same amount, of any kind which he may choose, and at any time that he may think fit. The moment he utilises that ticket the barter is complete and the commodities which he receives form the counterpart to the goods which he has sold.

The money which the seller receives for his goods would be little more than so many pieces of broken slate were it not for its purchasing power. The consideration for which his goods have been given is not the mere coins, it really is the commodities which those coins will purchase. The mere money itself is utterly valueless, unless it be, sooner or later, turned into commodities, whatever those commodities may be, whether land or labour, raw materials, or manufactured products.

If you purchase wheat, and pay for it in money, that money may perchance be used for purchasing a horse, in which case the horse has been, indirectly but no less truly, bartered for wheat. To put it into a more general form, every sale or purchase is a barter of the commodities so sold or purchased with the commodities on which the seller may expend the money received. If money, as money, had any other value beyond its purchasing power, it might be said that every sale or purchase is a barter between goods and money. But money, as money, has no real but only a representative value. The barter really is between the definite goods given for the money, and the undefined goods which that money represents, and which it may at any moment realise. Just as when you buy a ticket for a concert, the consideration given for your money is not the piece of paste-board of which the ticket itself consists, but the musical performance which the ticket represents.

Let us conclude by an illustration. You, being in England, buy, we will say, a cargo of wheat from New York. Against the bill of lading, &c., of this

shipment you accept a bill drawn on you by the seller, payable in England, and probably you pay for this bill in money before you get possession of the wheat. Now, pray observe. The money which you pay for that bill is not sent over in specie to America. It remains in England, to the credit of the banker in New York to whom the bills drawn on you were endorsed. The usual and natural use which he makes of this credit is to draw bills from New York against it, which bills he will sell in America, for a given number of dollars, to any one who wishes to make a remittance to England—perhaps to a man who has ordered some Manchester goods, for which he pays by remitting those bills to Manchester. In such case, it is evident that the specie does not leave England, and that, substantially, the American wheat has been bartered for Manchester goods.

Frequently the process is more indirect and circuitous, but, if analysed, it comes to the same thing. For instance, the bills referred to above, instead of being sent direct to England, may be sent to Rio Janeiro to pay for coffee, and sent from Rio Janeiro to England to pay for Sheffield steelware bought for Brazil. In this case England gets the American wheat, America the Brazilian coffee, and Brazil the English steel. And thus a double barter—something like Capt. Marryat's triangular duel—has taken place without the slightest displacement of specie. Note, moreover, that this is the regular, normal, and nearly universal practice in mercantile operations. Hardly

once in a thousand cases are foreign goods paid for by direct export of specie.

To sum up, the truth is that ALL COMMERCE IS BARTER; FOR IT IS AN INTERCHANGE BETWEEN THE COMMODITIES SOLD FOR MONEY AND THE COMMODITIES WHICH THAT MONEY WILL BE USED IN PURCHASING.

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#### CHAPTER XIV.

Excess of Imports mostly a sign of Wealth—4. Imports and Exports (except those for Loans or Repayments) balance each other—5. Protection Discourages Native Industry.

3. *Permanent excess of imports impoverishes, and permanent excess of exports enriches, a country.* This is the reverse of the fact. It would not be true even if such excess of imports had to be paid for by the receivers, or if such excess of exports implied a return payment of some kind. But this is never the case. For had such excess to be paid for, the payment must necessarily be either in goods or in specie. Now, it could not be in goods, as then, *ex hypothesi*, the goods exported would equal the goods imported, and how could there be an excess either way? Neither could that payment be made in specie, for it has been shown over and over again that the displacement of specie between country and country is confined within a very narrow range, that it is almost exclusively governed by circulation requirements, and that balances due by one country to another are never paid, unless to a mere fractional extent, in specie.

The fact is that these permanent excesses of imports over exports, or *vice versa*, consist of non-mercantile operations which are not repayable. They consist of national loans (repayable at indefinite periods, but scarcely ever repaid), of investments in foreign undertakings, of interest and dividends on such loans and investments, of subsidies to allies (less in fashion now than formerly), of war indemnities (that of France to Germany in 1871 to wit), ocean freight earnings, and other similar disbursements which are outside of, and in addition to, ordinary commercial interchanges.

"How," the Protectionists ask, "can a nation go on buying more than it sells without at last (like a spendthrift who lives beyond his income) becoming utterly ruined?" The answer is simply that no country ever does buy more than it sells, or ever does sell more than it buys. The trade of a country consists of the aggregate operations of individual traders, which are always equal, co-ordinate, and self-balancing; and which necessitate to a mathematical certainty (with the exception of bad debts) an import as a counterpart to every export, and *vice versa*. As we have already shown, all commerce is direct or indirect barter. Whatever a country permanently exports beyond what it imports, it gets no return for; whatever it permanently imports beyond what it exports, it gives no return for. Such excess goes either to liquidate old international debts or to contract new ones. Whatever is brought into a country over and above what is sent out from it is either a payment or a loan. If a payment, it is

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