ДЖОН СТЮАРТ МИЛЛЬ

ESSAYS ON SOME UNSETTLED QUESTIONS OF POLITICAL ECONOMY

Джон Милль

Essays on some unsettled Questions of Political Economy

Милль Д. С.

Essays on some unsettled Questions of Political Economy / Д. С. Милль — «Public Domain»,

Содержание

John Stuart Mill
Essays on some unsettled Questions of Political Economy

PREFACE

Of these Essays, which were written in 1829 and 1830, the fifth alone has been previously printed. The other four have hitherto remained in manuscript, because, during the temporary suspension of public interest in the species of discussion to which they belong, there was no inducement to their publication.

They are now published (with a few merely verbal alterations) under the impression, that the controversies excited by Colonel Torrens' *Budget* have again called the attention of political economists to the discussions of the abstract science: and from the additional consideration, that the first paper relates expressly to the point upon which the question at issue between Colonel Torrens and his antagonists has principally turned.

From that paper it will be seen that opinions identical in principle with those promulgated by Colonel Torrens (there would probably be considerable difference as to the extent of their practical application) have been held by the writer for more than fifteen years: although he cannot claim to himself the original conception, but only the elaboration, of the fundamental doctrine of the Essay.

A prejudice appears to exist in many quarters against the theory in question, on the supposition of its being opposed to one of the most valuable results of modern political philosophy, the doctrine of Freedom of Trade between nation and nation. The opinions now laid before the reader are presented as corollaries necessarily following from the principles upon which Free Trade itself rests. The writer has also been careful to point out, that from these opinions no justification can be derived for any *protecting* duty, or other preference given to domestic over foreign industry. But in regard to those duties on foreign commodities which do not operate as protection, but are maintained solely for revenue, and which do not touch either the necessaries of life or the materials and instruments of production, it is his opinion that any relaxation of such duties, beyond what may be required by the interest of the revenue itself, should in general be made contingent upon the adoption of some corresponding degree of freedom of trade with this country, by the nation from which the commodities are imported.

ESSAY I. OF THE LAWS OF INTERCHANGE BETWEEN NATIONS; AND THE DISTRIBUTION OF THE GAINS OF COMMERCE AMONG THE COUNTRIES OF THE COMMERCIAL WORLD

Of the truths with which political economy has been enriched by Mr. Ricardo, none has contributed more to give to that branch of knowledge the comparatively precise and scientific character which it at present bears, than the more accurate analysis which he performed of the nature of the advantage which nations derive from a mutual interchange of their productions. Previously to his time, the benefits of foreign trade were deemed, even by the most philosophical enquirers, to consist in affording a vent for surplus produce, or in enabling a portion of the national capital to replace itself with a profit. The futility of the theory implied in these and similar phrases, was an obvious consequence from the speculations of writers even anterior to Mr. Ricardo. But it was he who first, in the chapter on Foreign Trade, of his immortal *Principles of Political Economy and Taxation*, substituted for the former vague and unscientific, if not positively false, conceptions with regard to the advantage of trade, a philosophical exposition which explains, with strict precision, the nature of that advantage, and affords an accurate measure of its amount.

He shewed, that the advantage of an interchange of commodities between nations consists simply and solely in this, that it enables each to obtain, with a given amount of labour and capital, a greater quantity of all commodities taken together. This it accomplishes by enabling each, with a quantity of one commodity which has cost it so much labour and capital, to purchase a quantity of another commodity which, if produced at home, would have required labour and capital to a greater amount. To render the importation of an article more advantageous than its production, it is not necessary that the foreign country should be able to produce it with less labour and capital than ourselves. We may even have a positive advantage in its production: but, if we are so far favoured by circumstances as to have a still greater positive advantage in the production of some other article which is in demand in the foreign country, we may be able to obtain a greater return to our labour and capital by employing none of it in producing the article in which our advantage is least, but devoting it all to the production of that in which our advantage is greatest, and giving this to the foreign country in exchange for the other. It is not a difference in the *absolute* cost of production, which determines the interchange, but a difference in the *comparative* cost. It may be to our advantage to procure iron from Sweden in exchange for cottons, even although the mines of England as well as her manufactories should be more productive than those of Sweden; for if we have an advantage of one-half in cottons, and only an advantage of a quarter in iron, and could sell our cottons to Sweden at the price which Sweden must pay for them if she produced them herself, we should obtain our iron with an advantage of one-half, as well as our cottons. We may often, by trading with foreigners, obtain their commodities at a smaller expense of labour and capital than they cost to the foreigners themselves. The bargain is still advantageous to the foreigner, because the commodity which he receives in exchange, though it has cost us less, would have cost him more. As often as a country possesses two commodities, one of which it can produce with less labour, comparatively to what it would cost in a foreign country, than the other; so often it is the interest of the country to export the first mentioned commodity and to import the second; even though it might be able to produce both the one and the other at a less expense of labour than the foreign country can produce them, but not less in the same degree; or might be unable to produce either except at a greater expense, but not greater in the same degree.

On the contrary, if it produces both commodities with greater facility, or both with greater difficulty, and greater in exactly the same degree, there will be no motive to interchange.

"If the cloth and the corn, each of which required 100 days' labour in Poland, required each 150 days' labour in England; it would follow, that the cloth of 150 days' labour in England, if sent to Poland, would be equal to the cloth of 100 days' labour in Poland: if exchanged for corn, therefore, it would exchange for the corn of only 100 days' labour. But the corn of 100 days' labour in Poland, was supposed to be the same quantity with that of 150 days' labour in England. With 150 days' labour in cloth, therefore, England would only get as much corn in Poland as she could raise with 150 days' labour at home; and she would, in importing it, have the cost of carriage besides. In these circumstances no exchange would take place.

"If, on the other hand, while the cloth produced with 100 days' labour in Poland was produced with 150 days' labour in England, the corn which was produced in Poland with 100 days' labour could not be produced in England with less than 200 days' labour; an adequate motive to exchange would immediately arise. With a quantity of cloth which England produced with 150 days' labour, she would be able to purchase as much corn in Poland as was there produced with 100 days' labour; but the quantity, which was there produced with 100 days' labour, would be as great as the quantity produced in England with 200 days' labour.

"The power of Poland would be reciprocal. With a quantity of corn which cost her 100 days' labour, equal to the quantity produced in England by 200 days' labour, she could in the supposed case purchase in England the produce of 200 days' labour in cloth." But "the produce of 150 days' labour in England in the article of cloth would be equal to the produce of 100 days' labour in Poland [1]."

The remainder of what Mr. Ricardo has done for the philosophical exposition of the principles of foreign trade, is to shew, that the truth of the propositions now recapitulated is not affected by the introduction of money as a medium of exchange; the precious metals always tending to distribute themselves in such a manner throughout the commercial world, that every country shall import all that it would have imported, and export all that it would have exported, if exchanges had taken place, as in the example above supposed, by barter.

To this branch of the subject we shall, in the sequel of this essay, return. At present it will be more convenient that we should continue to suppose, that exchanges take place by the direct trucking of one commodity against another.

It is established, that the advantage which two countries derive from trading with each other, results from the more advantageous employment which thence arises, of the labour and capital – for shortness let us say the labour – of both jointly. The circumstances are such, that if each country confines itself to the production of one commodity, there is a greater total return to the labour of both together; and this increase of produce forms the whole of what the two countries taken together gain by the trade.

It is the purpose of the present essay to inquire, in what proportion the increase of produce, arising from the saving of labour, is divided between the two countries.

This question was not entered into by Mr. Ricardo, whose attention was engrossed by far more important questions, and who, having a science to create, had not time, or room, to occupy himself with much more than the leading principles. When he had done enough to enable any one who came after him, and who took the necessary pains, to do all the rest, he was satisfied. He very rarely followed out the principles of the science into the ramifications of their consequences. But we believe that to no one, who has thoroughly entered into the spirit of his discoveries, will even the minutiae of the science offer any difficulty but that which is constituted by the necessity of patience and circumspection in tracing principles to their results.

---

[1] Elements of Political Economy, by James Mill, Esq., 3rd edit., pp. 120-1.

Mr. Ricardo, while intending to go no further into the question of the advantage of foreign trade than to show what it consisted of, and under what circumstances it arose, unguardedly expressed himself as if each of the two countries making the exchange separately gained the whole of the difference between the comparative costs of the two commodities in one country and in the other. But, the whole gain of both countries together, consisting in the saving of labour; and the saving of labour being exactly equal to the difference between the costs, in the two countries, of the one commodity as compared with the other; the two countries taken together gain no more than this difference: and if either country gains the whole of it, the other country derives no advantage from the trade.

Suppose, for example, that 10 yards of broad cloth cost in England as much labour as 15 yards of linen, and in Germany as much as 20. If England sends 10 yards of broad cloth to Germany, and is able to exchange them for linen according to the German cost of production, she will get 20 yards of linen, with a quantity of labour with which she could not have produced more than 15; and will gain, therefore, 5 yards on every 15, or 33-1/3 per cent. But in this case Germany would obtain only 10 yards of cloth for 20 of linen. Now, 10 yards of cloth cost exactly the same quantity of labour in Germany as 20 of linen; Germany, therefore, derives no advantage from the trade, more than she would possess if it did not exist.

So, on the other hand, if Germany sends 15 yards of linen to England, and finding the relative value of the two articles in that country determined by the English costs of production, is enabled to purchase with 35 yards of linen 10 yards of cloth; Germany now gains 5 yards, just as England did before, – for with 15 yards of linen she purchases 10 yards of cloth, when to produce these 10 yards she must have employed as much labour as would have enabled her to produce 20 yards of linen. But in this case England would gain nothing: she would only obtain, for her 10 yards of cloth, 15 yards of linen, which is exactly the comparative cost at which she could have produced them.

This, which was not an error, but a mere oversight of Mr. Ricardo, arising from his having left the question of the division of the advantage entirely unnoticed, was first corrected in the third edition of Mr. Mill's *Elements of Political Economy*. It can hardly, however, be said that Mr. Mill has prosecuted the inquiry any further; which, indeed, would have been quite as inconsistent with the nature of his plan as of Mr. Ricardo's.

1. When the trade is established between the two countries, the two commodities will exchange for each other at the same rate of interchange in both countries – bating the cost of carriage, of which, for the present, it will be more convenient to omit the consideration. Supposing, therefore, for the sake of argument, that the carriage of the commodities from one country to another could be effected without labour and without cost, no sooner would the trade be opened than, it is self-evident, the value of the two commodities, estimated in each other, would come to a level in both countries.

If we knew what this level would be, we should know in what proportion the two countries would share the advantage of the trade.

When each country produced both commodities for itself, 10 yards of broad cloth exchanged for 15 yards of linen in England, and for 20 in Germany. They will now exchange for the same number of yards of linen in both. For what number? If for 15 yards, England will be just as she was, and Germany will gain all. If for 20 yards, Germany will be as before, and England will derive the whole of the benefit. If for any number intermediate between 15 and 20, the advantage will be shared between the two countries. If, for example, 10 yards of cloth exchange for 18 of linen, England will gain an advantage of 3 yards on every 15, Germany will save 2 out of every 20.

The problem is, what are the causes which determine the proportion in which the cloth of England and the linen of Germany will exchange for each other?

This, therefore, is a question concerning exchangeable value. There must be something which determines how much of one commodity another commodity will purchase; and there is no reason to suppose that the law of exchangeable value is more difficult of ascertainment in this case than in other cases.

The law, however, cannot be precisely the same as in the common cases. When two articles are produced in the immediate vicinity of one another, so that, without expatriating himself, or moving to a distance, a capitalist has the choice of producing one or the other, the quantities of the two articles which will exchange for each other will be, on the average, those which are produced by equal quantities of labour. But this cannot be applied to the case where the two articles are produced in two different countries; because men do not usually leave their country, or even send their capital abroad, for the sake of those small differences of profit which are sufficient to determine their choice of a business, or of an investment, in their own country and neighbourhood.

The principle, that value is proportional to cost of production, being consequently inapplicable, we must revert to a principle anterior to that of cost of production, and from which this last flows as a consequence, – namely, the principle of demand and supply.

In order to apply this principle, with any advantage, to the solution of the question which now occupies us, the principle itself, and the idea attached to the term demand, must be conceived with a precision, which the loose manner in which the words are used generally prevents.

It is well known that the quantity of any commodity which can be disposed of, varies with the price. The higher the price, the fewer will be the purchasers, and the smaller the quantity sold. The lower the price, the greater will in general be the number of purchasers, and the greater the quantity disposed of. This is true of almost all commodities whatever: though of some commodities, to diminish the consumption in any given degree would require a much greater rise of price than of others.

Whatever be the commodity – the supply in any market being given, there is some price at which the whole of the supply exactly will find purchasers, and no more. That, whatever it be, is the price at which, by the effect of competition, the commodity will be sold. If the price be higher, the whole of the supply will not be disposed of, and the sellers, by their competition, will bring down the price. If the price be lower, there will be found purchasers for a larger supply, and the competition of these purchasers will raise the price.

This, then, is what we mean, when we say that price, or exchangeable value, depends on demand and supply. We should express the principle more accurately, if we were to say, the price so regulates itself that the demand shall be exactly sufficient to carry off the supply.

Let us now apply the principle of demand and supply, thus understood, to the interchange of broadcloth and linen between England and Germany.

As exchangeable value in this case, as in every other, is proverbially fluctuating, it does not matter what we suppose it to be when we begin; we shall soon see whether there be any fixed point about which it oscillates – which it has a tendency always to approach to, and to remain at.

Let us suppose, then, that by the effect of what Adam Smith calls the higgling of the market, 10 yards of cloth, in both countries, exchange for 17 yards of linen.

The demand for a commodity, that is, the quantity of it which can find a purchaser, varies, as we have before remarked, according to the price. In Germany, the price of 10 yards of cloth is now 17 yards of linen; or whatever quantity of money is equivalent in Germany to 17 yards of linen. Now, that being the price, there is some particular number of yards of cloth, which will be in demand, or will find purchasers, at that price. There is some given quantity of cloth, more than which could not be disposed of at that price, – less than which, at that price, would not fully satisfy the demand. Let us suppose this quantity to be, 1000 times 10 yards.

Let us now turn our attention to England. There, the price of 17 yards of linen is 10 yards of cloth, or whatever quantity of money is equivalent in England to 10 yards of cloth. There is some particular number of yards of linen, which, at that price, will exactly satisfy the demand, and no more. Let us suppose that this number is 1000 times 17 yards.

As 17 yards of linen are to 30 yards of cloth, so are 1000 times 17 yards to 1000 times 10 yards. At the existing exchangeable value, the linen which England requires, will exactly pay for the quantity of cloth which, on the same terms of interchange, Germany requires. The demand on each side is precisely sufficient to carry off the supply on the other. The conditions required by the principle of demand and supply are fulfilled, and the two commodities will continue to be interchanged, as we supposed them to be, in the ratio of 17 yards of linen for 10 yards of cloth.

But our supposition might have been different. Suppose that, at the assumed rate of interchange, England had been disposed to consume no greater quantity of linen than 800 times 17 yards; it is evident that, at the rate supposed, this would not have sufficed to pay for the 1000 times 10 yards of cloth, which we have supposed Germany to require at the assumed value. Germany would be able to procure no more than 800 times 10 yards, at that price. To procure the remaining 200, which she would have no means of doing but by bidding higher for them, she would offer more than 17 yards of linen in exchange for 10 yards of cloth; let us suppose her to offer 18. At that price, perhaps, England would be inclined to purchase a greater quantity of linen. She could consume, possibly, at that price, 900 times 18 yards. On the other hand, cloth having risen in price, the demand of Germany for it would, probably, have diminished. If, instead of 1000 times 10 yards, she is now contented with 900 times ten yards, these will exactly pay for the 900 times 18 yards of linen which England is willing to take at the altered price: the demand on each side will again exactly suffice to take off the corresponding supply; and 10 yards for 18 will be the rate at which, in both countries, cloth will exchange for linen.

The converse of all this would have happened if instead of 800 times 17 yards, we had supposed that England, at the rate of 10 for 17, would have taken 1200 times 17 yards of linen. In this case, it is England whose demand is not fully supplied; it is England who, by bidding for more linen, will alter the rate of interchange to her own disadvantage; and 10 yards of cloth will fall, in both countries, below the value of 17 yards of linen. By this fall of cloth, or what is the same thing, this rise of linen, the demand of Germany for cloth will increase, and the demand of England for linen will diminish, till the rate of interchange has so adjusted itself that the cloth and the linen will exactly pay for another; and when once this point is attained, values will remain as they are.

It may be considered, therefore, as established, that when two countries trade together in two commodities, the exchangeable value of these commodities relatively to each other will adjust itself to the inclinations and circumstances of the consumers on both sides, in such manner that the quantities required by each country, of the article which it imports from its neighbour, shall be exactly sufficient to pay for one another. As the inclinations and circumstances of consumers cannot be reduced to any rule, so neither can the proportions in which the two commodities will be interchanged. We know that the limits within which the variation is confined are the ratio between their costs of production in the one country, and the ratio between their costs of production in the other. Ten yards of cloth cannot exchange for more than 20 yards of linen, nor for less than 15. But they may exchange for any intermediate number. The ratios, therefore, in which the advantage of the trade may be divided between the two nations, are various. The circumstances on which the proportionate share of each country more remotely depends, admit only of a very general indication.

It is even possible to conceive an extreme case, in which the whole of the advantage resulting from the interchange would be reaped by one party, the other country gaining nothing at all. There is no absurdity in the hypothesis, that of some given commodity a certain quantity is all that is wanted at any price, and that when that quantity is obtained, no fall in the exchangeable value would induce other consumers to come forward, or those who are already supplied to take more. Let us suppose that this is the case in Germany with cloth. Before her trade with England commenced, when 10 yards of cloth cost her as much labour as 20 yards of linen, she nevertheless consumed as much cloth as she wanted under any circumstances, and if she could obtain it at the rate of 10 yards of cloth for 15 of linen, she would not consume more. Let this fixed quantity be 1000 times 10 yards. At the rate, however, of 10 for 20, England would want more linen than would be equivalent to this quantity of cloth. She would consequently offer a higher value for linen; or, what is the same thing, she would offer her cloth at a cheaper rate. But as by no lowering of the value could she prevail on Germany to take a greater quantity of cloth, there would be no limit to the rise of linen, or fall of cloth, until the demand of England for linen was reduced by the rise of its value, to the quantity which one thousand times ten yards of cloth would purchase. It might be, that to produce this diminution of the demand, a less fall would not suffice, than one which would make 10 yards of cloth exchange for 15 of linen. Germany would then gain the whole of the advantage, and England would be exactly as she was before the trade commenced. It would be for the interest, however, of Germany herself, to keep her linen a little below the value at which it could be produced in England, in order to keep herself from being supplanted by the home producer. England, therefore, would always benefit in some degree by the existence of the trade, though it might be in a very trifling one.

But in general there will not be this extreme inequality in the degree in which the demand in the two countries varies with variations in the price. The advantage will probably be divided equally, oftener than in any one unequal ratio that can be named; though the division will be much oftener, on the whole, unequal than equal.

2. We shall now examine whether the same law of interchange, which we have shown to apply upon the supposition of barter, holds good after the introduction of money. Mr. Ricardo found that his more general proposition stood this test; and as the proposition which we have just demonstrated is only a further developement of his principle, we shall probably find that it suffers a little, by a mere change in the mode (for it is no more) in which one commodity is exchanged against another.

We may at first make whatever supposition we will with respect to the value of money. Let us suppose, therefore, that before the opening of the trade, the price of cloth is the same in both countries, namely, six shillings per yard [2]. As 10 yards of cloth were supposed to exchange in England for 5 yards of linen, in Germany for 20, we must suppose that linen is sold in England at four shillings per yard, in Germany at three. Cost of carriage and importer's profit are left as before, out of consideration.

In this state of prices, cloth, it is evident, cannot yet be exported from England into Germany. But linen can be imported from Germany into England. It will be so, and, in the first instance, the linen will be paid for in money.

The efflux of money from England, and its influx into Germany, will raise money prices in the latter country, and lower them in the former. Linen will rise in Germany above three shillings per yard, and cloth above six shillings. Linen in England being imported from Germany, will (since cost of carriage is not reckoned) sink to the same price as in that country, while cloth will fall below six shillings. As soon as the price of cloth is lower in England than in Germany, it will begin to be exported, and the price of cloth in Germany will fall to what it is in England. As long As the cloth exported does not suffice to pay for the linen imported, money will continue to flow from England into Germany, and prices generally will continue to fall in England, and rise in Germany. By the fall, however, of cloth in England, cloth will fall in Germany also, and the demand for it will increase. By the rise of linen in Germany, linen must rise in England also, and the demand for it will diminish. Although the increased exportation of cloth takes place at a lower price, and the diminished importation of linen at a higher, yet the total money value of the exportation would probably increase, that of the importation diminish. As cloth fell in price and linen rose, there would be some particular price of both articles at-which the cloth exported, and the linen imported, would exactly pay for each other. At this point prices would remain, because money would then cease to move out of England into Germany. What this point might be, would entirely depend upon the circumstances and inclinations of the purchasers on both sides. If the fall of cloth did not much increase the demand for it in Germany, and the rise of linen did not diminish very rapidly the demand for it in England, much money must pass before the equilibrium is restored; cloth would fall very much, and linen would rise, until England,

[2] The figures used are of course arbitrary, having no reference to any existing prices.

perhaps, had to pay nearly as much for it as when she produced it for herself. But if, on the contrary, the fall of cloth caused a very rapid increase of the demand for it in Germany, and the rise of linen in Germany reduced very rapidly the demand in England from what it was under the influence of the first cheapness produced by the opening of the trade; the cloth would very soon suffice to pay for the linen, little money would pass between the two countries, and England would derive a large portion of the benefit of the trade. We have thus arrived at precisely the same conclusion, in supposing the employment of money, which we found to hold under the supposition of barter.

In what shape the benefit accrues to the two nations from the trade, is clear enough. Germany, before the commencement of the trade, paid six shillings per yard for broad-cloth. She now obtains it at a lower price. This, however, is not the whole of her advantage. As the money prices of all her other commodities have risen, the money incomes of all her producers have increased. This is no advantage to them in buying from each other; because the price of what they buy has risen in the same ratio with their means of paying for it: but it is an advantage to them in buying any thing which has not risen; and still more, any thing which has fallen. They therefore benefit as consumers of cloth, not merely to the extent to which cloth has fallen, but also to the extent to which other prices have risen. Suppose that this is one-tenth. The same proportion of their money incomes as before, will suffice to supply their other wants, and the remainder, being increased one-tenth in amount, will enable them to purchase one-tenth more cloth than before, even though cloth had not fallen. But it has fallen: so that they are doubly gainers. If they do not choose to increase their consumption of cloth, this does not prevent them from being gainers. They purchase the same quantity with less money, and have more to expend upon their other wants.

In England, on the contrary, general money-prices have fallen. Linen, however, has fallen more than the rest; having been lowered in price, by importation from a country where it was cheaper, whereas the others have fallen only from the consequent efflux of money. Notwithstanding, therefore, the general fall of money-prices, the English producers will be exactly as they were in all other respects, while they will gain as purchasers of linen.

The greater the efflux of money required to restore the equilibrium, the greater will be the gain of Germany; both by the fall of cloth, and by the rise of her general prices. The less the efflux of money requisite, the greater will be the gain of England; because the price of linen will continue lower, and her general prices will not be reduced so much. It must not, however, be imagined that high money-prices are a good, and low money-prices an evil, in themselves. But the higher the general money-prices in any country, the greater will be that country's means of purchasing those commodities which, being imported from abroad, are independent of the causes which keep prices high at home.

3. We have hitherto supposed the carriage to be performed without labour or expense. If we abandon this supposition, we must correct the statement of the case in a slight degree. The prices of the two articles will no longer, when the trade is opened, be the same in both countries, nor will the articles exchange for one another at the same rate in both. Ten yards of cloth will purchase in Germany a quantity of linen greater than in England by a per-centage equal to the entire cost of conveyance both of the cloth to Germany and of the linen to England. The money-price of linen will be higher in England than in Germany, by the cost of carriage of the linen. The money-price of cloth will be higher in Germany than in England, by the cost of carriage of the cloth.

The expense of the carriage is evidently a deduction *pro tanto* from the saving of labour produced by the establishment of the trade. The two countries together, therefore, have their gains by the trade diminished, by the amount of the cost of carriage of both commodities. But here the question arises, which of the two countries bears this deduction, or in what proportion it is divided between them.

At the first inspection it would appear that each country bears its own cost of carriage, that is, that each country pays the carriage of the commodity which it imports. Upon this supposition, each country would gain whatever share of the joint saving of labour would otherwise fall to its lot, *minus* the cost of bringing from the other country the commodity which it imports. This solution is rendered plausible by the circumstance just now mentioned, that the price of the commodity will be higher in the country which imports it, than in the country which exports it, by the amount of the cost of carriage. If linen is sold in England at a higher price than in Germany, by a per-centage equal to the cost of carriage of the linen, it appears obvious that England pays for the carriage of the linen, and Germany, by parity of reason, for that of the cloth.

But if we apply to these questions the principles already explained, we shall see that this is not by any means a universal law: the fact may correspond with it, or it may not.

For suppose that the prices have adjusted themselves, no matter how, and that the imports and exports balance one another, each commodity, of course, being dearer by the cost of carriage, in the country which imports than in that which exports it: and suppose now that the cost of carriage, both of the one and of the other, were suddenly and miraculously annihilated, and that the commodities could pass from country to country without expense. If each country bore its own cost of carriage before, each country will save its own cost of carriage now. Cloth, in Germany, will in that case fall exactly to what it is in England; linen in England, to what it is in Germany.

Now this fall of price, supposing it to happen, will probably affect the demand on both sides; and it will either affect it alike in both countries, or it will affect it unequally. It will affect it alike, if the fall of price does not affect the demand at all, or if it affects it equally in both countries. If either of these results should take place, the cloth and the linen would continue to balance each other as before: no money would pass from one country to the other; prices in both would continue at the point to which they had fallen, and each country would exactly save the cost of carriage on the commodity which it imports from the other.

But the result might be, that the fall of price might not have an effect exactly equal, on the demand in the two countries. Suppose, for instance, that the fall of cloth in Germany owing to the saving of the cost of carriage, did not increase the demand for cloth in Germany; but that the fall of linen in England from a like cause, did increase the demand for linen in England. The linen imported would be more than could be paid for by the cloth exported: the difference must be paid in money: the change in the distribution of the precious metals between the two countries would lower the price of cloth in England, (and consequently in Germany), while it would raise the price of linen in Germany, (and consequently in England). Germany, therefore, by the annihilation of cost of carriage, would save in price more than the cost of carriage of the cloth; England would save less in price than the cost of carriage of the linen. But if by the miraculous annihilation of cost of carriage, England would not *save* the whole of the carriage of her imports, it follows that England did not previously *pay* the whole of that cost of carriage.

Thus, the division of the cost of trade, and the division of the advantage of trade, are governed by precisely the same principles; and the only general proposition which can be affirmed respecting the cost is, that it is *pro tanto* a deduction from the advantage. It cannot even be maintained that the cost is shared in the same proportion as the advantage is; because the increase of the demand for a commodity as its price falls, is not governed by any fixed law. Suppose, for instance, that the advantage happened to be divided equally: this must be because the greater cheapness arising from the establishment of the trade, either did not affect the demand at all, or affected it in an equal proportion on both sides. Now, because such is the effect of the degree of increased cheapness resulting from importation burthened with cost of carriage, it would not follow that the still greater degree of cheapness, produced by the additional saving of the cost of carriage itself, would also affect the demand of both countries in precisely an equal degree. But we cannot be said to bear an expense, which, if saved, would be saved to somebody else, and not to us. Two countries may have equal shares of the clear benefit of the trade, while, if the cost of carriage were saved, they would divide that saving unequally. If so, they divide the gross gain in one unequal ratio, the cost in another unequal ratio, though their shares of the cost being deducted from their shares of the gain leave equal remainders.

4. The question naturally suggests itself, whether any country, by its own legislative policy, can engross to itself a larger share of the benefits of foreign commerce, than would fall to it in the natural or spontaneous course of trade.

The answer is, it can. By taxing exports, for instance, we may, under certain circumstances, produce a division of the advantage of the trade more favourable to ourselves. In some cases, we may draw into our coffers, at the expense of foreigners, not only the whole tax, but more than the tax: in other cases, we should gain exactly the tax, – in others, less than the tax. In this last case, a part of the tax is borne by ourselves: possibly the whole, possibly even, as we shall show, more than the whole.

Suppose that England taxes her export of cloth: the tax not being supposed high enough to induce Germany to produce cloth for herself. The price at which cloth can be sold in Germany is augmented by the tax. This will probably diminish the quantity consumed. It may diminish it so much, that even at the increased price, there will not be required so great a money value as before. It may diminish it in such a ratio, that the money value of the quantity consumed will be exactly the same as before. Or it may not diminish it at all, or so little, that, in consequence of the higher price, a greater money value will be purchased than before. In this last case, England will gain, at the expense of Germany, not only the whole amount of the duty, but more. For the money value of her exports to Germany being increased, while her imports remain the same, money will flow into England from Germany. The price of cloth will rise in England, and consequently in Germany; but the price of linen will fall in Germany, and consequently in England, We shall export less cloth, and import more linen, till the equilibrium is restored. It thus appears, what is at first sight somewhat remarkable, that, by taxing her exports, England would, under some conceivable circumstances, not only gain from her foreign customers the whole amount of the tax, but would also get her imports cheaper. She would get them cheaper in two ways, – for she would obtain them for less money, and would have more money to purchase them with. Germany, on the other hand, would suffer doubly: she would have to pay for her cloth a price increased not only by the duty, but by the influx of money into England, while the same change in the distribution of the circulating medium would leave her less money to purchase it with.

This, however, is only one of three possible cases. If, after the imposition of the duty, Germany requires so diminished a quantity of cloth, that its total money value is exactly the same as before, the balance of trade will be undisturbed; England will gain the duty, Germany will lose it, and nothing more. If, again, the imposition of the duty occasions such a falling off in the demand, that Germany requires a less pecuniary value than before, our exports will no longer pay for our imports, money must pass from England into Germany, and Germany's share of the advantage of the trade will be increased. By the change in the distribution of money, cloth will fall in England; and therefore it will, of course, fall in Germany. Thus Germany will not pay the whole of the tax. From the same cause, linen will rise in Germany, and consequently in England. When this alteration of prices has so adjusted the demand, that the cloth and the linen again pay for one another, the result is, that Germany has paid only a part of the tax, and the remainder of what has been received into our treasury has come indirectly out of the pockets of our own consumers of linen, who pay a higher price for that imported commodity, in consequence of the tax on our exports, which at the same time they, in consequence of the efflux of money and consequent fall of prices, have smaller money incomes wherewith to pay for the linen at that advanced price.

It is not an impossible supposition that, by taxing our exports, we might not only gain nothing from the foreigner, the tax being paid out of our own pockets, but might even compel our own people to pay a second tax to the foreigner. Suppose, as before, that the demand of Germany for cloth falls off so much on the imposition of the duty, that she requires a smaller money value than before, but that the case is so different with linen in England, that when the price rises the demand either does not fall off at all, or so little that the money value required is greater than before. The first effect of laying on the duty is, as before, that the cloth exported will no longer pay for the linen imported. Money will, therefore, flow out of England into Germany. One effect is to raise the price of linen in Germany, and, consequently, in England. But this, by the supposition, instead of stopping the efflux of money, only makes it greater, because the higher the price, the greater the money value of the linen consumed. The balance, therefore, can only be restored by the other effect, which is going on at the same time, namely, the fall of cloth in the English, and, consequently, in the German market. Even when cloth has fallen so low that its price with the duty is only equal to what its price without the duty was at first, it is not a necessary consequence that the fall will stop; for the same amount of exportation as before will not now suffice to pay the increased money value of the imports; and although the German consumers have now not only cloth at the old price, but likewise increased money incomes, it is not certain that they will be inclined to employ the increase of their incomes in increasing their purchases of cloth. The price of cloth, therefore, must perhaps fall, to restore the equilibrium, more than the whole amount of the duty; Germany may be enabled to import cloth at a lower price when it is taxed, than when it was untaxed: and this gain she will acquire at the expense of the English consumers of linen, who, in addition, will be the real payers of the whole of what is received at their own custom-house under the name of duties on the export of cloth.

Such are the extremely various effects which may result to ourselves, and to our customers, from the imposition of taxes on our exports [3]: and the determining circumstances are of a nature so imperfectly ascertainable, that it must be almost impossible to decide with any certainty, even after the tax has been imposed, whether we have been gainers by it or losers. It is certain, however, that whatever we gain, is lost by somebody else, and there is the expense of the collection besides: if international morality, therefore, were rightly understood and acted upon, such taxes, as being contrary to the universal weal, would not exist. Moreover, the imposition of such a tax frequently will, and always may, expose a country to lose this branch of its trade altogether, or to carry it on with diminished advantage, in consequence of the competition of untaxed exporters from other countries, or of the domestic producers in the country to which it exports. Even on the most selfish principles, therefore, the benefit of such a tax is always extremely precarious.

5. We have had an example of a tax on exports, that is, on foreigners, falling in part on ourselves. We shall, therefore, not be surprised if we find a tax on imports, that is, on ourselves, partly falling upon foreigners.

Instead of taxing the cloth which we export, suppose that we tax the linen which we import. The duty which we are now supposing must not be what is termed a protecting duty, that is, a duty sufficiently high to induce us to produce the article at home. If it had this effect, it would destroy entirely the trade both in cloth and in linen, and both countries would lose the whole of the advantage which they previously gained by exchanging those commodities with one another. We suppose a duty which might diminish the consumption of the article, but which would not prevent us from continuing to import, as before, whatever linen we did consume.

The equilibrium of trade would be disturbed if the imposition of the tax diminished in the slightest degree the quantity of linen consumed. For, as the tax is levied at our own custom-house,

[3] We have not deemed it necessary to enter minutely into all the circumstances which might modify the results mentioned in the text. For example, let us revert to the first case, that in which the demand for cloth in Germany is so little affected by the rise of price in consequence of the tax, that the quantity bought exceeds in pecuniary value what it was before. As the German consumers lay out more money in cloth, they have less to lay out in other things; other money prices will fall; among the rest that of linen; and this may so increase the demand for linen in England as to restore the equilibrium of exports and imports without any passage of money. But England's treasury will still gain from Germany the whole of the tax, and the English people will buy their linen cheaper besides. Again, in the opposite case, where the tax so diminishes the demand, that a smaller pecuniary value is required than before. The German consumers have, therefore, more to expend in other things; these, and among the rest linen, will rise; and this may so diminish the demand for linen in England, as to restore the equilibrium without the transmission of money. But the effect, as respects the division of the advantage, is still as stated in the text.

the German exporter only receives the same price as formerly, though the English consumer pays a higher one. If, therefore, there be any diminution of the quantity bought, although a larger sum of money may be actually laid out in the article, a smaller one will be due from England to Germany: this sum will no longer be an equivalent for the sum due from Germany to England for cloth, the balance therefore must be paid in money. Prices will fall in Germany, and rise in England; linen will fall in the German market; cloth will rise in the English. The Germans will pay higher price for cloth, and will have smaller money incomes to buy it with; while the English will obtain linen cheaper, that is, its price will exceed what it previously was by less than the amount of the duty, while their means of purchasing it will be increased by the increase of their money incomes.

If the imposition of the tax does not diminish the demand, it will leave the trade exactly as it was before. We shall import as much, and export as much; the whole of the tax will be paid out of our own pockets.

But the imposition of a tax on a commodity, almost always diminishes the demand more or less; and it can never, or scarcely ever increase the demand. It may, therefore, be laid down as a principle, that a tax on imported commodities, when it really operates as a tax, and not as a prohibition, either total or partial, almost always falls in part upon the foreigners who consume our goods: and that this is a mode in which a nation may be almost sure of appropriating to itself, at the expense of foreigners, a larger share than would otherwise belong to it of the increase in the general productiveness of the labour and capital of the world, which results from the interchange of commodities among nations.

It is scarcely necessary to observe, that no such advantage can result from the duty, if it operate as a protecting duty; if it induce the country which imposes it, to produce for herself that which she would otherwise have imported. The saving of labour – the increase in the general productiveness of the capital of the world – which is the effect of commerce, and which a non-protecting duty would enable the country imposing it to engross, could not be engrossed by a protecting duty, because such a duty prevents any such increased production from existing.

With a view to practical legislation, therefore, duties on importation may be divided into two classes: those which have the effect of encouraging some particular branch of domestic industry, and those which have not.

The former are purely mischievous, both to the country imposing them, and to those with whom it trades. They prevent a saving of labour and capital, which, if permitted to be made, would be divided in some proportion or other between the importing country and the countries which buy what that country does or might export.

The other class of duties are those which do not encourage one mode of procuring an article at the expense of another, but allow interchange to take place just as if the duty did not exist – and to produce the saving of labour which constitutes the motive to international as to all other commerce. Of this kind, are duties on the importation of any commodity which could not by any possibility be produced at home; and duties not sufficiently high to counterbalance the difference of expense between the production of the article at home, and its importation. Of the money which is brought into the treasury of any country by taxes of this last description, a part only is paid by the people of that country; the remainder by the foreign consumers of their goods.

Nevertheless, this latter kind of taxes are in principle as ineligible as the former, although not precisely on the same ground. A protecting duty can never be a cause of gain, but always and necessarily of loss, to the country imposing it, just so far as it is efficacious to its end. A non-protecting duty on the contrary would, in most cases, be a source of gain to the country imposing it, in so far as throwing part of the weight of its taxes upon other people is a gain; but it would be a means of gain which it could seldom be advisable to adopt, being so easily counteracted by a precisely similar proceeding on the other side.

If England, in the case already supposed, sought to obtain for herself more than her natural share of the advantage of the trade with Germany, by imposing a duty upon cloth, Germany would only have to impose a duty upon linen, sufficient to diminish the demand for that article about as much as the demand for cloth had been diminished in England by the tax. Things would then be as before, and each country would pay its own tax. Unless, indeed, the sum of the two duties exceeded the entire advantage of the trade; for in that case the trade, and its advantage, would cease entirely.

There would be no advantage, therefore, in imposing duties of this kind, with a view to gain by them, in the manner which has been pointed out. But so long as any other kind of taxes on commodities are retained, as a source of revenue, these may often be as unobjectionable as the rest. It is evident, moreover, that considerations of reciprocity, which are quite unessential when the matter in debate is a protecting duty, are of material importance when the repeal of duties of this other description is discussed. A country cannot be expected to renounce the power of taxing foreigners, unless foreigners will in return practise towards itself the same forbearance. The only mode in which a country can save itself from being a loser by the duties imposed by other countries on its commodities, is to impose corresponding duties on theirs. Only it must take care that these duties be not so high as to exceed all that remains of the advantage of the trade, and put an end to importation altogether; causing the article to be either produced at home, or imported from another and a dearer market.

It is not necessary to apply the principles which we have stated to the case of bounties on exportation or importation. The application is easy, and the conclusions present nothing of particular interest or importance.

6. Any cause which alters the exports or imports from one country into another, alters the division of the advantage of interchange between those two countries. Suppose the discovery of a new process, by which some article of export, or some article not previously exported, can be produced so cheap as to occasion a great demand for it in other countries. This of course produces a great influx of money from other countries, and lowers the prices of all articles imported from them, until the increase of importation produced by this cause has restored the equilibrium. Thus, the country which acquires a new article of export gets its imports cheaper. This is not a case of mere alteration in the division of the advantage; it is a new advantage created by the discovery.

But suppose that the invention, to which the nation is indebted for this increase of the return to its industry, comes into use also in the other country, and that the process is one which can be as perfectly and as cheaply performed in the one country as in the other. The new exportation will cease; trade will revert to its old channels, the money which flowed in will again flow out, and the country which invented the process will lose that increase of its gain by trade, which it had derived from the discovery.

Now the exportation of machinery comes within the case which we have just described.

If the fact be, that by allowing to foreigners a participation in our machinery, we enable them to produce any of our leading articles of export, at a lower money price than we can sell those articles, it is certain that unless we possess as great an advantage in the production of the machinery itself as we have in the production of other articles by means of machinery, the permitting of its exportation would alter to our disadvantage the division of the benefit of trade. Our exports being diminished, we should have to pay a balance in money. This would raise, in foreign countries, the price of everything which we import from thence: while our incomes, being reduced in money value, would render us less able to buy those articles even if they had not risen. The equilibrium of exports and imports would only be restored, when either some of the latter became so dear that we could produce them cheaper at home, or some articles not previously exported became exportable from the fall of prices. In the one case, we lose the benefit of importation altogether, and are obliged to produce at home, at a greater cost. In the other case, we continue to import, but pay dearer for our imports.

Notwithstanding what has now been observed, restrictions on the exportation of machinery are not, in our opinion, justifiable, either on the score of international morality or of sound policy. It is evidently the common interest of all nations that each of them should abstain from every measure by which the aggregate wealth of the commercial world would be diminished, although of this smaller sum total it might thereby be enabled to attract to itself a larger share. And the time will certainly come when nations in general will feel the importance of this rule, and will so direct their approbation and disapprobation as to enforce observance of it. Moreover, a country possessing machines should consider that if a similar advantage were extended to other countries, they would employ it above all in the production of those articles, in which they had already the greatest natural advantages; and if the former country would be a loser by their improvements in the production of articles which it sells, it would gain by their improvements in those which it buys. The exportation of machinery may, however, be a proper subject for adjustment with other nations, on the principle of reciprocity. Until, by the common consent of nations, all restrictions upon trade are done away, a nation cannot be required to abolish those from which she derives a real advantage, without stipulating for an equivalent.

7. The case which we have just examined, is an example in how remarkable a manner every cause which materially influences exports, operates upon the prices of imports. According to the ancient theory of the balance of trade, and to the associations of the generality of what are termed practical men to this day, the sole benefit derived from commerce consists in the exports, and imports are rather an evil than otherwise. Political economists, seeing the folly of these views, and clearly perceiving that the advantage of commerce consists and must consist solely of the imports, have occasionally suffered themselves to employ language evincing inattention to the fact, that exports, though unimportant in themselves, are important by their influence on imports. So real and extensive is this influence, that every new market which is opened for any of our goods, and every increase in the demand for our commodities in foreign countries, enables us to supply ourselves with foreign commodities at a smaller cost.

Let us revert to our earliest and simplest example, but which displays the real law of interchange more luminously than any formula into which money enters; the case of simple barter. We showed, that if at the rate of 10 yards of cloth for 17 of linen, the demand of Germany amounted to 1000 times 10 yards of cloth, the two nations will trade together at that rate of interchange, provided that the linen required in England be exactly 1000 times 17 yards, neither more nor less. For the cloth and the linen will then exactly pay for one another, and nobody on either side will be obliged to offer what he has to sell at a lower rate, in order to procure what he wants to buy.

Now if the increase of wealth and population in Germany should greatly increase the demand in that country for cloth, the demand for linen in England not increasing in the same ratio, – if, for instance, Germany became willing, at the above rate, to take 1500 times 10 yards; is it not evident, that to induce England to take in exchange for this the only article which Germany by supposition has to give, the latter must offer it at a rate more advantageous to England – at 18, or perhaps 19 yards, for 10 of cloth? So that the division of the advantage becomes more and more favourable to a country, in proportion as the demand for its commodities increases in foreign countries.

It is not even necessary that the country which takes its goods, should supply it with any commodity whatever. Suppose that a country should be opened to our merchants, disposed to buy from us in abundance, but which can sell to us scarcely anything, as every commodity which it affords could be got cheaper by us from some other quarter. Nevertheless, our trade with this country will enable us to obtain from all other countries their commodities at a lower price. At the first opening of this commerce of mere exportation, we must have received in payment a large quantity of money; for which our customer will have been indemnified by other countries, in exchange for her commodities. Prices must consequently be lower in all other countries, and higher with us, than before the opening of the new branch of trade; and we therefore obtain the commodities of other countries at a less cost, both as we pay less money for them, and as that money is lower in value.

8. Another obvious application of the same principle will enable us to explain, and to bring within the dominion of strict science, the rivality of one exporting nation and another, or what is called, in the language of the mercantile system, *underselling*: a subject which political economists have taken little trouble to elucidate, from the habit before alluded to of disregarding almost entirely,

in their purely scientific inquiries, those circumstances which affect the trade of a country by operating immediately upon the exports.

Let us revert to our old example, and to our old figures. Suppose that the trade between England and Germany in cloth and linen is established, and that the rate of interchange is 10 yards of cloth for 17 of linen. Now suppose that there arises in another country, in Flanders, for example, a linen manufacture; and that the same causes, the working of which in England and Germany has made 10 yards exchange for 17, would in England and Flanders, putting Germany out of the question, have made the rate of interchange 10 for 18. It is evident that Germany also must give 18 yards of linen for 10 of cloth, and so carry on the trade with a diminished share of the advantage, or lose it altogether. If the play of demand in England and Flanders had made the rate of interchange not 10 for 18 but 10 for 21, (10 to 20 being in Germany the comparative cost of production,) it is evident that Germany could not have maintained the competition, and would have lost, not part of her share of the advantage, but all advantage, and the trade itself.

It would be no answer to say, that Germany could probably still have found the means of importing cloth from England, by exporting something else. If she had purchased cloth with anything else, she would have purchased it dearer: as is proved by the fact, that having free choice, she found it most advantageous to purchase it with linen. When she could get 10 yards of cloth for 17 of linen, that was the mode in which she could get it with least labour. Being pressed by competition, she gave successively 17, 18, 18; but rather than give 19 yards of linen, she perhaps would prefer to give, as costing her rather less labour, 10 yards of silk, (which we will suppose to be the quantity which in England will purchase 10 yards of cloth.) It is obvious that, although Germany has found the means of supplying herself with cloth, by exporting a different article from that in which she was undersold, yet the advantage of the trade between her and England is now shared in a proportion much less favourable to Germany.

There is no difficulty in showing that the same series of consequences takes place in exactly the same manner through the agency of money. The trade in cloth and linen between England and Germany being supposed to exist as before, Flanders produces linen at a lower price than that at which Germany has hitherto afforded it. The exportation from Germany is suspended; and Germany, continuing to import cloth, pays for it in money. By so doing she lowers her own prices, and raises those in England: she has to pay more money for cloth, and to pay it in a currency of higher value. She thus suffers more and more as a consumer of cloth, until by the fall of her prices she can either afford to sell linen as cheap as Flanders, or to export some other commodity which she could not export before. In either case, her trade resumes its course, but with diminished advantage on her side. [4]

It is in the mode just described, that those countries which formerly supplied Europe with manufactures, but which owed their power of doing so not to any natural and permanent advantages, but to their more advanced state of civilization as compared with other countries, have lost their pre-eminence as other countries successively attained an equal degree of civilization. Lombardy and

---

[4] The world at large, sellers and buyers taken together, is always a gainer by underselling. If, in the case supposed, England were compelled by a commercial treaty to exclude the linen of Flanders from her market, the total wealth of the world, if affected at all, would be diminished.For, what is the cause which enables Flanders to undersell Germany? That Flanders, if she had the trade, would exchange linen for cloth at a rate of interchange more advantageous to England. And why can Flanders do so? It must be either because Flanders can produce the article with a less comparative quantity of labour than Germany, and therefore the total advantage to be divided between the two countries is greater in the case of Flanders than of Germany; or else because, though the total advantage is not greater, Flanders obtains a less share of it, her demand for cloth being greater, at the same rate of interchange, than that of Germany. In the former case, to exclude Flemish linen from England would be to prevent the world at large from making a greater saving of labour instead of a less. In the latter, the exclusion would be inefficacious for the only end it could be intended for, viz., the benefit of Germany, unless Flemish money were excluded from England as well as Flemish linen. For Flanders would buy English cloth, paying for it in money, until the fall of her prices enabled her to pay for it with something else: and the ultimate result would be that, by the rise of prices in England, Germany must pay a higher price for her cloth, and so lose a part of the advantage in spite of the treaty; while England would pay for German linen the same price indeed, but as the money incomes of her own people would be increased, the same money price would imply a smaller sacrifice.

Flanders, in the middle ages, produced some descriptions of clothing and ornament for all Europe: Holland, at a much later period, supplied ships, and almost all articles which came in ships, to most other parts of the world. All these countries have probably at this moment a much larger amount of capital than ever they had, but having been undersold by other countries, they have lost by far the greater part of the share which they had engrossed to themselves of the benefit which the world derives from commerce; and their capital yields to them in consequence a smaller proportional return. We are aware that other causes have contributed to the same effect, but we cannot doubt that this is a principal one.

As much as is really true of the great returns alleged to have been made to capital during the last war, must have arisen from a similar cause. Our exclusive command of the sea excluded from the market all by whom we should have been undersold.

The adoption by France, Russia, the Netherlands, and the United States, of a more severely restrictive commercial policy, subsequently to 1815, has done great injury undoubtedly to those countries; for the duties which they have established are intended to be, and really are, of the class termed *protecting*; that is to say, such as force the production of commodities by more costly processes at home, instead of suffering them to be imported from abroad. But these duties, though chiefly injurious to the countries imposing them, have also been highly injurious to England. By diminishing her exportation, or preventing it from increasing as it would otherwise have done, they have kept up the prices of all imported commodities in England, above what those prices would have fallen to if trade had been left free.

By another obvious application of the same reasoning, it will be seen, that there is a real foundation for the notion, that a country may be benefited by receiving from another country the concession of what used to be termed commercial advantages, or by restraining its colonies from purchasing goods of any country except itself. In the figured illustration last used (p. 34) [not available, M.D.], it is evident, that if England had been bound by a treaty with Germany to buy linen exclusively from her, Germany would have retained the trade which we supposed her to lose, and would have continued to purchase cloth at a comparatively cheap rate from England, instead of producing it by a more costly process at home. Suppose that England had been a colony of Germany, and we see that by compelling colonies to deal at her shop, she may obtain a real advantage, though of a nature which we may hazard the assertion that the founders of our colonial policy little dreamt of.

Such an advantage, however, being gained at the expense of another country, is, at the least, simply equivalent to a tax, or tribute. Now, if a country has just grounds, or deems superiority of power a sufficient ground, for exacting a tribute from another country, the most direct mode is the best. First, because it is the most intelligible, and has least of trick or disguise. Secondly, because it allows the people of the country paying the tribute, to raise the money in whatever way they consider least oppressive to themselves. Thirdly, because the indirect mode of taxing a country, by restrictions on its commerce, disturbs the distribution of industry most advantageous to the world at large, and occasions a greater loss to the restricted country, and to the other countries with which that country would have traded, than gain to the country in whose favour the restrictions are imposed. And lastly, because a country never could obtain such privileges from an independent nation, and has seldom been so undisguised an oppressor as to demand them even from its colonies, without subjecting itself to restrictions in some degree equivalent, for the benefit of those whom it has thus taxed. Each country, therefore, usually pays tribute to the other; and to produce this fruitless reciprocity of exaction, the industry and trade of both countries are diverted from the most advantageous channels, and the return to the labour and capital of both is diminished, in pure loss.

9. The same principles which have led to the above conclusions, also suggest a remark of some importance with respect to the probable effect of a change from a restricted to a comparatively free trade.

There is no doubt that our prohibiting the importation of a particular article, which, but for the prohibition, would have been imported, enables us to obtain our other imports at smaller cost. The article for which we have the greatest demand, and for which our demand is most increased by cheapness, is that which we should naturally import preferably to any other; now of this article we should import the quantity necessary to pay for our exports, on terms of interchange less advantageous to us than in the case of any other commodity. If our legislature prohibits this commodity, the other country will be obliged to offer any other article on easier terms, in order to force a sufficient demand for it to be an equivalent to what she purchases from us.

The steps of the process, money being used, would be these: – We prohibit the importation of linen. The exportation of cloth continues, but is paid for in money. Our prices rise, those in Germany fall, until silk, or some other article, can be imported from Germany cheaper than it can be produced at home, and in sufficient abundance to balance the export of cloth. Thus by sacrificing the cheapness of one commodity, we gain the cheapness of another: but we sacrifice a greater cheapness to gain a less, and we sacrifice cheapness in the article which we most want, and would import by preference, while our compensation is cheapness in an article which we either could produce more advantageously at home, or which we have so little desire for, that it requires a species of bounty on the article to create a demand.

Конец ознакомительного фрагмента.