

(October 3)

Great Britain Under Free Trade.

BY SIR ALFRED MOND, M.P.*

ADDRESSING the Canadian Club on "The Economic Position of Great Britain under Free Trade," Sir Alfred Mond, M.P., said:

Mr. President and Gentlemen,—Let me say at the outset that I consider it a very great honor indeed to be invited to address the oldest Canadian Club in the Dominion, in the capital of the banner Province of Ontario, the important city of Toronto. In discussing for a few moments with you the subject which I have chosen I deem it well to preface my remarks with the assurance that my personal position will not be misunderstood. You are not in any particular sense in need of advice, and I would not have the presumption to advise Canadians as to their policy, fiscal or otherwise. In such matters the Canadian people are much more competent than I to deal wisely and well with them.

It is my desire to discuss very briefly, for you have not much time at your disposal, the economic aspect of our position in the mother land. You have heard a great deal of late from the protectionists, our calamity howlers, of the devastation which is being wrought and the depletion of the country under our effete and antiquated fiscal system. You know the imagination of the protectionist party is vivid, and it would be unfortunate indeed if there should be any misconception in this Dominion, which owns allegiance to the throne of England and is permeated with love and loyalty for the mother land.

No doubt some of you have been informed, if you have kept *au courant* with our tariff reform press, that the English free trade movement was due altogether to one Richard Cobden, a semi-lunatic who by his unsupported testimony persuaded the people of Great Britain to reverse their entire fiscal policy. This, however, is for consumption only at tariff reform meetings. The simplification of the British tariff was

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begun as early as 1825. In May, 1840, the House of Commons appointed a select committee to investigate import duties. At that time Britain had no less than 1,150 different rates of duty on imported articles.

The striking result of the analysis was that out of a revenue of £21,000,000 from customs, 17 articles produced 94½ per cent.; 29 other articles produced almost 4 per cent.; so that 46 articles out of 1,150 produced over 98 per cent., and all the others together produced less than 2 per cent. Nobody would have credited such a result had not this commission been held.

And before the analysis was made no doubt protectionists would say, "If you do not have this widely extended tariff, where is your revenue to come from?"

It was on this report that the great reforms of Peel and Gladstone were based, which swept away practically the whole of our old tariff, and the establishment of a tariff which enables England to-day to levy on a small number of articles, and without increasing the price of the same to the consumer, secure customs revenue to an enormous amount.

One of the greatest vindications of the sound economics of our free trade policy is to be found in the rapid and successful development of new industries. Take the motor car, for instance. The French trade at one period predominated and led. Under a protectionist system it would be urged that if this trade is to develop in England it would require the assistance of a protective tariff. It has, however, developed in England to such an extent under a system of absolutely free production, that France has to take second place in this industry.

Again, the English boot manufacturing trade, which at one time, some years ago, was thought to have been lost to the United States, rejuvenated itself and is to-day more prosperous than ever.

Instance after instance can be given of the stimulating effect on industries, not by the artificial stimulation of a protective tariff, but by the healthy influence of free competition. It is generally recognized in life that competition is best; why should this universal rule be disregarded when we come to production between domestic and foreign industries. A protected industry, like charity-aided individuals, never having to stand on its own feet, takes to leaning on the crutches of the benevolent public. Take the crutches away, and it will either walk or fall down. If it is incapable of standing on its feet, is it worthy of the artificial support on the back of

the general public? The infant industry, reared on the bottle of tariff manipulation, remains weak and rickety, and, like the pampered child shielded from every one and from healthy emulation of other children, never grows into a strong man. When you suggest it is time for the feeding bottle to be taken away and for it to go out and eat its food like a man, you will find that its parts are either undeveloped or in a condition of senility. In either case the generation continues to plead and pleads successfully for their industry to be allowed to remain parasitically attached to the bottle of its State mother.

The fallacy of the infant theory in all protected countries is a remarkable vindication of the soundness of the economic theory of free trade.

Although no free trader will allege it is impossible to stimulate certain industries in the home market by removing the pressure of foreign competition, still no protectionist has yet pointed out how it is possible to assist the export trade of the country by that policy. The fact that protectionist countries increase their exports is no contradiction of this statement.

Britain, depending as it must do on the disposal of its surplus products to a large export trade consisting of very considerable manufacturing products, cannot be benefitted by having this export trade more difficult owing to a protective tariff at home. In countries where the export trade is relatively of less importance and the home trade of more importance than in England, the restrictive effects of the protective tariffs by raising the cost of production in the export trade of the country is less marked.

Many careful students have given their opinion that the high tariffs of the United States are the cause of their relatively failure as exporters of manufactured goods.

The question of food supply has an important influence upon the subject. The area of England and its large population per square mile must make England depend for her food supply sources outside her borders. This will naturally direct English trade considerably to such countries as are prepared to exchange agricultural commodities for English manufactures. As goods must pay for goods finally, in the trade of the world, it is obvious that the nations must supplement each other's deficiencies. To carry on trade they must trade with one another. Tariff restrictions interfere with their natural development.

England has developed such industries to which it is specially adapted by position and climate and natural resources and also it has developed industries which have benefitted most from the tariffs of competing countries. The high tariffs of many of its industrial competitors have given England a commanding position in the industrial markets, more especially in the far east. They have also greatly facilitated England's position as a shipping and ship-building country. The great preponderating position in the manufacture of textiles and the building of ships can be directly traced to the tariff policy of other countries. Let me quote you some figures on ship-building, excluding warships:

	1906 Tons	1907 Tons	1908 Tons
United Kingdom.....	1,828,000	1,608,000	930,000
Germany.....	318,000	275,000	208,000
United States.....	441,000	475,000	304,000
All the world including the above	2,920,000	2,778,000	1,833,000

The most economic production is for the nation to do that which it can do best. By producing commodities to which it is best adapted for the smallest amount of labor with the least effort, this country will derive the greatest amount of wealth and have the most prosperous population.

Any attempt to reverse the policy of allowing the British workmen to enjoy the lowest prices on the prime necessities of life by raising the cost of living and diminishing the purchasing power of wages, must either create a higher wage standard with no increased benefit, or lower the rate of living with diminished efficiency, and thus impair England's position in the world's markets.

The framing of a tariff schedule is in all circumstances difficult, and in nearly every case unsatisfactory. In most countries statesmen have only to deal with a modification of the existing tariffs, and industries have more or less grown up under tariff conditions. To impose on such a complicated and highly developed industrial country as England, which has developed under a free trade system, a tariff, with all its complications and difficulties of settlement, appears to be

practically impossible, and means almost an impossible task. Loss, confusion, disturbance of trade and uncertainty of results must undoubtedly accompany such a revolution. The fact that after eight years of agitation, our protectionists have not succeeded in formulating even the outline of a tariff schedule is certainly a witness to the hopelessness of the task they have undertaken.

Let me quote to you for a moment the opinions of two prominent Unionists, Lord Balfour of Burleigh and Lord Hugh Cecil, who are ardent champions of free trade. Lord Balfour of Burleigh said:

“My ground, and the ground of those Conservatives and Unionists who are with me, is that free trade is vital to the community of the Empire and the well-being of our population. We oppose even the policy of preference, because we honestly believe that, so far from being a defence, so far from being a safeguard to the unity of the Empire, it is perhaps more likely than anything else which has ever been devised, to create friction and difficulty. We all regard the political side of our relationship with colonies as of the highest importance. We all wish to see the Empire knit together in the closest bonds. We are willing to support almost any scheme which is likely to succeed; but we see no gain in the policy which is put before us which will compensate us for our loss of freedom; we see no way out of the economic difficulties which are certain to be raised; we see, as any intelligent man must see, that there will be inequality, not only between colony and colony, but also between individuals in the same and in different communities.”

Lord Hugh Cecil, writing in the Nineteenth Century said:

“One of the economic aspects of preference presents also an insuperable objection. The taxation of food is, we are told, a necessary part of the policy of Colonial Preference. But the taxation of food implies the taxation of the very poorest of the people. Those who are on the threshold of the workhouse must pay taxation on the necessaries of life, and of no other taxation can that be said. Imagine it done directly and not by the veiled operation of an import duty. Suppose a tax collector was sent round to every citizen, including the very poorest of the dwellers in the slums of London, and asked from each sixpence per month, and that the money so

collected was then divided among the farmers in the colonies, who would defend or tolerate such an arrangement? An English working class electorate will not permanently endure the taxing of the almost starving for the benefit of those who are better off."

These are the words of prominent Unionists. But let me say here a few words on the position taken up by our party on Preference. The positions of Britain and the Dominions on this subject are exactly reverse one to the other. Living as you do under a protectionist system, the reduction of tariffs in favor of the mother country, which I don't wish to undervalue, is at the same time easing the burden of the Canadian consumer. Living as we do in Britain under a free trade system, we should have to commence by imposing a burden on the consumer, which now doesn't exist, in order to afford this supposed benefit to the Dominions. You protect your industries against competition with British manufactures, but accord them a benefit which is fully appreciated over foreign competitors. We accord your products absolute freedom in competition with our Home producers and this opens our markets to you in a much wider sense than yours are open to us. You deal with us mainly in food; we deal with you mainly in manufactures. To raise by means of duties the prices of wheat and meat to our big industrial communities, even if only to a small extent, would be a serious thing and one which in the long run could not be maintained.

This is not unwillingness on our part to in any way assist trade in the Dominions, or any disregard of the bonds which hold us together, or any high-handed theory of past generations which compels us to take up an attitude of opposition to these proposals. It is because we feel that to connect, in the mind of the British working classes, the idea of Empire with the idea of food taxes would be worse than a blunder; it would be a crime. Even if the duties were small there would be a continuous tendency, both on the part of the agriculturist at home and of those benefitting abroad, to endeavor to obtain an increase.

But the mere smallness of the duty would not remove the sense of injustice with the many millions who find it under modern conditions sufficiently difficult to live in decency, to bring up a family of worthy citizens, to have their part in the slightest degree made more onerous than economic necessity demands.

On the other hand I must say I feel convinced that it is in the highest interests of the Empire that it should develop

its trade to its greatest capacity and that its population should grow so that its people should be prosperous and contented. Many of our protectionists have looked askance at any who look to foreign countries for the development of our trade. We are continually told that you have entered into relations to your great neighbor, to our detriment.

False accusations have been made against those who are pleading for an extension of free trade in the fiscal policy in Canada on the ground of want of loyalty to the Empire. I do not share these views. In my opinion it is the duty of your statesmen to develop the trade of your great and vast dominions to the best possible advantage. If you have products to exchange with any other country you should exchange them. I don't want to see a system adopted which would impede such development.

A young, vigorous, expanding country like yours naturally desires to seize all opportunities for the expansion of its commerce and for the sale of its products. The so-called Imperial policy! To endeavor to artificially confine and limit the powers of our aspirations or endeavors, seems to me fundamentally wrong. As a trader myself, engaged in an important industry, it is far from my mind to undervalue in any way the importance of trade relations or commercial connections.

I would not like to have it thought that I undervalue or estimate lightly the preference you have extended for the good of the mother country. We don't wish any more to be looked upon as supplicants asking you to disregard your own best interests in our favor, as I know you don't wish us to regard you as claimants for benefits at the expense of our people. We are glad to do business with you. You, too, do business with us. We are glad to think that you prefer to do business with us than with others, and you can be sure that we reciprocate that sentiment. But we feel that no part of the Empire should feel any compulsion in this matter, or should feel that they were losing opportunities for benefitting the people of their respective countries in order to make presents to other countries.

I do not undervalue trade relations, but it is not upon them that our great Empire depends. The loyalty of the dominions to the mother country, the affection of the British people for the other members of their race who have been the pioneers in wild countries and raised them to a high state of civilization, is not a question of pounds, shillings and pence, and cannot be expressed in terms of exports or imports. It is a much deeper, much stronger, much holier thing. It is

based on the grand traditions of centuries; it is based on great common ideals of right and wrong; on the love of justice and fair play, and a common language, common literature and common history—that feeling of “pulling together” which exists not merely in the relationship of family, but which lives in the relationship of nations.

We look on your achievements with pride. We regard your development with admiration. We are glad to think that you are creating a great and new British nation. We are certain that in time of storm or stress you will be ready to stand with us again as you did in the dark days of 1900.

We wish no bargaining, no feeling of disappointment or injustice or regret—the results of artificial bounties—to come between us and you. We would sooner have the Empire live on its square foundation of freedom for all its component parts, and keep this great structure of ours, reared by generations of commanding ability and sacrifice, to be added to by the generations that are to come, confident that the history of the future will be no less glorious, no less worthy, than its great traditions of the past.