GLADSTONE AND BLAINE.

A DISCUSSION ON FREE TRADE AND PROTECTION.

The British Statesman Believes That With Free Trade the United States Can Win Commercial Supremacy Without Injuring Great Britain—The American Secretary of State Holds That an Insular Policy is Not the Best for a Country Which is a World Within Itself.

The January number of The North American Review contains a remarkable tariff discussion by Mr. Gladstone and Mr. Blaine. Mr. Gladstone makes a strong plea for free trade and his argument is embellished with all the graces of diction of which he is so accomplished a master. Mr. Blaine's answer is elaborate and covers the whole field of protectionist argument. The following extracts will convey an idea of the character and scope of the discussion. Mr. Gladstone says:

. . . There was an evident title thus to call upon me, because I had, many years since, given utterance to an opinion then and now sincerely entertained. I thought, and each of the rolling years teaches me more and more fixedly to think, that in international transactions the British nation for the present enjoys a commercial primacy; that no country in the world shows any capacity to wrest it from us, except it be America; that, if America shall frankly adopt and steadily maintain a system of free trade, she will by degrees, perhaps not slow degrees, outstrip us in the race, and will probably take the place which at present belongs to us; but she will not injure us by the operation.

A Gain for the Workman Under Free Trade.

Mr. Giffen of the Board of Trade supplies us with tables which compare the wages of 1833 with those of 1888 in such a way as to speak for the principal branches of industry, with the exception of agricultural labor. The wages of miners, we learn, have increased in Staffordshire (which almost certainly is the mining district of lowest increment) by 50 per cent. In the great exportable manufactures of Bradford and Huddersfield the lowest augmentations are 20 and 30 per cent. and in other branches they rise to 50, 83, 100, and even to 150 and 160 per cent. The quasi-domestic trades of carpenters, bricklayers and masons, in the great marts of Glasgow and Manchester, show a mean increase of 68 per cent for the first, 65 per cent. for the second, and 47 per cent. for the third. . . . No such return, at once exact and comprehensive, can be supplied in the case of the rural workman. But here the facts are notorious. We are assured that there has been an universal rise somewhat checked, I fear, by the recent agricultural distress), which Caird and other authorities place at 50 per cent. Mr. Giffen apparently concurs; and, so far as my own personal sphere of observation reaches, I can with confidence confirm the estimate and declare it to be moderate. Together with this increase of pay there has been a general diminution of the hours of work, which Mr. Giffen places at one-fifth. If we make this correction upon the comparative table, we shall find that the cases are very few in which the increment does not range as high as from 50 and toward 100 per cent.

In a later essay, Mr. Giffen touches the case of unskilled labor. He observes that the aggregate proportion of unskilled to skilled labor has diminished—a fact which of itself forcibly exhibits the advance of the laboring population as a whole. I will not enter upon details; but his general conclusion is this: the improvement is from 70 to 90 per cent. in the wages of unskilled non-agricultural labor. . . . Within the same period the prices of the main articles of popular consumption have not increased, but have certainly declined. The laborer's charges, except for his abode, have actually diminished as a whole. For his larger house rent he has a better home. To the Government he pays much less than he did, and from the Government he gets much more and the "increase of his money wages corresponds to a real gain." . . .

Protection an Invitation to Waste.

All interference with it (the natural law of trade) by a Government in order to encourage some dearer cheaper method of production abroad, may fairly be termed artificial. And every such interference means simply a diminution of the national wealth. If region A. grows corn at home for fifty shillings with which region B. can supply it at forty, and region B. manufactures cloth at twenty shillings, with which region A. can supply it at fifteen, the national wealth of each is diminished by the ten and five shillings respectively.

And the capitalists and laborers in each of these countries have so much the less to divide into their respective shares, in that competition between capital and labor which determines the distribution between them of the price brought in the market by commodities.

In my view, and I may say for my countrymen in our view, protection, however dignified by the source from which it proceeds, is essentially an invitation to waste, promulgated with the authority of law. It may be more violent and prohibitory, or it may be less; but, up to the point to which it goes, it is a promise given to dear production to shield it against the competition of cheap production, or given to dearer production to hold it harmless against cheaper; to secure for it a market it could not otherwise hold, and to enable it to exact from the consumer a price which he would not otherwise pay. . . .

Wealth is accumulation; and the aggregate of that accumulation depends upon the net surplus left by the prices of industrial products after defraying out of them the costs of production. To make this surplus large is to raise national wealth to its maximum. It is gross when we produce what we can produce cheapest. It is diminished, and the Nation is so far impoverished, wherever and wherever and to whatever extent, under the cover of protective laws, men are induced to produce articles leaving a smaller surplus instead of articles leaving a large one. But such is the essence of protection. In England (speaking roughly) it made us produce more wheat at high prices instead of more tissues at low prices. In America it makes you produce more cloth and more iron at high prices instead of more cereals and more cotton at low prices. And your contention is that by making production thus costly you make wages high. To this question let us pass onwards; yet not without leaving behind us certain results which I think you will find it hard to attack, unless it be in flank and rear. Such as these: First, that extra price imposed on class A for the benefit of Class B, without compensation, is robbery, and robbery not rendered (in the abstract) more respectable because the State is the culprit. Secondly, that protection means dear production, and dear production means, pro tanto, National impoverishment. . . .

"Free-Trade Toilers" in the United States.

But, in America, besides the jealously palisaded field of dear production, there is a vast open expanse of cheap production, namely, in the whole mass (to speak roughly) of the agricultural products of the country not to mention such gifts of the earth as its mineral oils. In raising these, the American capitalist will find the demand of the world unexhausted, however he may increase the supply. Why, then, is he to carry his capital abroad when there is profitable employment for it at home? If protection is necessary to keep American capital at home, why is not the vast capital now sustaining your domestic agriculture, and raising commodities for sale at free-trade prices, exported to other countries? Or, conversely, since vast capital finds an unlimited field for employment in cheap domestic production without protection, it is demonstrated that protection is not required in order to keep your capital at home.

Let me assume, for the purpose of trying the issue, that one-half of the salable products of the United States are agricultural and one-half manufactured, and that the manufactured moiety are covered by protection, while the agricultural half, since they are protected artisans? If it is not, why do not the agricultural men pass over into the provinces of demand for manufacturing and mining labor, and, by augmenting the supply reduce and equalize the rate? Which is like asking, How comes it that a man is content with one loaf when two are offered him? (speaking roughly) it made us produce more The answer will be: He is not content: whenever he can, he takes the two and leaves the one. It follows that in this case there exists no excess of wage for him to appropriate.

America Ties a Heavy Clog Upon Her Feet.

I will, then, proceed to set forth some of the causes which, by giving exceptional energy and exceptional opportunity to the work of production in America, seem to allow (in homely phrase) of her making ducks and drakes of a large portion of what ought to be her accumulations, and yet, by virtue of the remainder of them, to astonish the world.

1. Let me observe, first, that America produces an enormous mass of cotton, cereals, meat, oils, and other commodities, which are sold in the unsheltered market of the world at such prices as it will yield. The producers are fined for the benefit of the protected interests, and receive nothing in return; but they obtain for their country, as well as for the world, the whole advantage of a vast natural trade—that is to say a trade in which production is carried on at a minimum cost in capital and labor as compared with what the rest of the world can do.

2. America invites and obtains in a remarkable degree from all the world one of the great elements of production, without tax of any kind—namely, capital.

3. While securing to the capitalist producer a monopoly in the protected trades, she allows all the world to do its best, by a free immigration, to prevent or qualify any corresponding monopoly in the class of workmen.

4. She draws upon a bank of natural resources so vast that it easily bears those deductions of improvidence which simply prevent the results from being vaster still. . . .

Apart from this wide variety, I suppose there is no other country of the whole earth in which, if we combine together the surface and that which is below the surface, Nature has been so bountiful to man. The mineral resources of our own Britannic Isle have, without question, principally contributed to its commercial pre-eminence. But when we match them with those of America, it is Lilliput against Brobdingnag. I believe that your coal-field, for example, is to ours nearly in the proportion of 86 to 1. Now, this vast aggregate superiority of purely natural wealth is simply equivalent to the gift, say, of a queen in a game of chess, or to a start allowed in a race by one boy to another; with this difference: that America could hold her own against all comers without the queen, and that, like her little Lord Fauntleroy, she can, if she likes run the race, and perhaps win it, upon equal terms. By protection she makes a bad move, which helps us to make fight, and ties a heavy clog upon her feet, so that the most timid among us need not now to greatly dread her competition in the international trade of the world. . . .

Protection Morally Bad.

I urge that all protection is morally as well as economically bad. This is a very different thing from saying that all Protectio[illegible] question of free trade. He gives us had. Many of them, without doubt, are good, nay, excellent, as were in this country many of the supporters of the Corn law. It is of the tendencies of a system that I speak, which operate variously upon most men unconsciously, upon some men not at all; and surely that system cannot be good which makes an individual, or set of individuals, live on the resources of the community and causes him relatively to diminish that store, which duty to his fellow-citizens and to their equal rights should teach him by his contributions to augment.

The economical question which I have been endeavoring to discuss is a very large one. Nevertheless, it dwindles, in my view, when it is compared with the paramount question of the American future viewed at large. There opens before the thinking mind when this supreme question is propounded a vista so transcending all ordinary limitation as to require an almost preternatural force and expansion of the mental eye in order to embrace it. Some things, and some weighty things, are clear so far as the future admits of clearness. There is a vision of territory, population, power, passing beyond all experience. . . .

But, how will the majestic figure, about to become the largest and most powerful on the stage of the world's history, make use of his power? Will it be instinct with moral life in proportion to its material strength. Will he uphold and propagate the Christian tradition with that surpassing energy which marks him in all the ordinary pursuits of life? Will he maintain with a high hand an unfaltering reverence for that law of nature which is anterior to the Gospel, and supplies the standard to which it appeals, the very foundation on which it is built up? Will he fully know and fully act upon the knowledge, that both reverence and strictness are essential conditions of all high and desirable well-being? And will he be a leader and teacher to us of the old world in rejecting and denouncing all the miserable degrading sophistries by which the arch-enemy, ever devising more and more subtle schemes against us, seeks at one stroke, perhaps, to lower us beneath the brutes, assuredly to cut us off from the hope and from the source of the final good? One thing is certain: his temptations will multiply with his power: his responsibilities with his opportunities. Will the seed be sown among the thorns? Will the worldliness overrun the ground and blight its flowers and its fruit? On the answers to these questions, and to such as these, it will depend whether this new revelation of power upon the earth is also to be a revelation of virtue; whether it shall prove a blessing or a curse. May Heaven avert every darker omen, and grant that the latest and largest growth of the great Christian civilization shall also be the brightest and the best!

W. E. GLADSTONE—The Advocate of Free Trade.

MR. BLAINE'S REPLY.

Mr. Blaine, in reply, says among other things:

. . . Perhaps the most remarkable feature in the argument of Mr. Gladstone, as indeed of every English Free Trader except John Stuart Mill, is the universality of application which he demands for his theory. . . .

Free trade he believes advantageous for England; therefore, without the allowance of any modifying condition great or small, the English economist declares it to be advantageous for the United States, for Brazil, for Australia; in short, for all countries with which England can establish trade relations. It would be difficulty not impossible, for Mr. Gladstone to find any principle of administration or any measure of finance so exactly fitted to the varying needs of all countries as he assumes the policy of free trade to be. Surely it is not unfair to maintain that, deducing his results from observation and experience in his own country, he may fall into error and fail to appreciate the financial workings of other countries, geographically remote and of vastly greater area.

An Insular Policy Not the One for a World.

Alaska excepted, the northernmost point of the Union is sixty miles south of the southernmost point of Great Britain, and the southernmost point of the Union is but little more than a hundred miles from the tropics. Its natural products are more varied, more numerous, and of more valuable character than those of all Europe. To quote one of Mr. Gladstone's phrases, we constitute "not so much a country in ourselves as a world." He tells us that we carry on "the business of domestic exchanges on a scale, such as mankind has never seen." Our foreign commerce, very large in itself, is only as 1 to 25 compared to our internal trade. And yet Mr. Gladstone thinks that a policy which is essential to an island in the northern ocean should be adopted as the policy of a country which, even to his own vision, is "a world within itself."

With these fundamental points of difference between the two countries, I assume that varied financial and industrial systems, wrought by the experience of each, would be the natural and logical result. Hence I do not join issue with Mr. Gladstone on both of his propositions. He defends free trade in Great Britain. He assails protection in the United States. The first proposition I neither deny nor affirm. * * *

During this long period (1812 to 1861) Free Trade tariffs were thrice followed by industrial stagnation, by financial embarrassment, by distress among all classes dependent for subsistence upon their own labor. Thrice were these burdens removed by the enactment of a protective tariff. Thrice the protective tariff promptly led to industrial activity, to financial ease, to prosperity among the people. And this happy condition lasted in each case, with no diminution of its beneficent influence, until illegitimate political combinations, having their origin in personal and sectional aims, precipitated another era of Free Trade. A perfectly impartial man, unswerved by the excitement which this question engenders in popular discussion, might safely be asked if the half-century's experience, with its three trials of both systems, did not establish the wisdom of protection in the United States. If the inductive method of reasoning may be trusted, we certainly have a logical basis of conclusion in the facts here detailed.

Each Community Must Act Intelligently for Itself.

Mr. Gladstone may argue for Great Britain as he will, but for the United States we must insist on being guided by facts and not by theories; we must insist on adhering to the teachings of experiments which "have been carried forward by careful generalizations to well-grounded conclusions. * * *

Mr. Gladstone boldly contends that "keeping capital at home by protection is dear production, and is a delusion from top to bottom." I take direct issue with him on that proposition. Between 1870 and the present time considerably more than 100,000 miles of railroad have been built in the United States. The steel rail and other metal connected therewith involved so vast a sum of money that it could not have been raised to send out of the country in gold coin. The total cost could not have been less than $500,000,000. We had a large interest to pay abroad on the public debt, and for nine years after 1870 gold was at a premium in the United States. During those years nearly 40,000 miles of railway were constructed, and to import English rail and pay for it with gold bought at a large premium would have been impossible. A very large proportion of the railway enterprises would of necessity have been abandoned if the export of gold to pay for the rails had been the condition precedent to their construction. But the manufacture of steel rails at home gave an immense stimulus to business. Tens of thousands of men were paid good wages, and great investments and great enrichments followed the line of the new road and opened to the American people large fields for enterprise not theretofore accessible.

I might ask Mr. Gladstone what he would have me say to the labor of the thousands of men engaged in manufacturing rail, if it had been judged practicable to buy the rail in England? Fortunately he has given his answer in advance of the question, for he tells us that "in America we produce more cloth and more iron at high prices, instead of more cereals and more cotton at low prices." The grain-growers of the West and the cotton-growers of the South will observe that Mr. Gladstone holds out to them a cheerful prospect. They "should produce more cereals and more cotton at low prices"! Mr. Gladstone sees that the protective system steadily tends to keep up the price of "cereals and cotton," and he asks that manufactures of "cloth and iron" be abandoned so that we may raise "more cereals and more cotton at low prices." Mr. Gladstone evidently considers the present prices of cereals and cotton as "high prices."

The Western Farmer's Instinct.

Protectionists owe many thanks to Mr. Gladstone for his outspoken mode of dealing with the question of free trade. He gives us the conclusions without qualification and without disguise. The American Free-Trader is not so sincere. He always presenting half-truths and holding back the other half, thus creating false impressions and leading to false conclusions. But Mr. Gladstone is entirely frank. He tells the laborers on protected articles that they would be better engaged in "raising more cereals and more cotton at low prices." Where does Mr. Gladstone suggest a market for the additional grain and cotton to be raised by American mechanics becoming farmers and increasing the production of those great staples? The foreign market is filled with a competing grain-supply to such a degree that already the price of wheat is unduly lowered to the Western farmer. The farmer needs a still larger home consumption of his grain, while Mr. Gladstone thinks he needs a still larger home production. The legitimate involvment of Mr. Gladstone's argument is that all mechanical and manufacturing enterprises in America producing articles of higher price than the same produced in Europe should be abandoned, and the laborers so engaged should be turned to the production of "more cereals and more cotton at low prices!" The Western farmer's instinct is wiser than Mr. Gladston's philosophy. The farmer knows that the larger the home market the better are his prices and that as the home market is narrowed his prices fall.

Mr. Gladstone's pregnant suggestion really exhibits the thought that lies deep in the British mind; that the mechanic arts and the manufacturing process should be left to Great Britain and the production of raw material should be left to to America. It is the old colonial idea of the last century, when the establishment of manufactures on this side of the ocean was regarded with great jealously by British statesmen and British merchants. * * *

Mr. Gladstone makes another contention, in which, from the American point of view, he leaves out of sight a controlling factor, and hence refers an effect to the wrong cause. Regarding the advance of wages in England, he says: "Wages which have been partially and relatively higher under protection have become both generally and absolutely higher, and greatly higher, under free trade." I do not doubt the fact, but I venture to suggest that such advance in wages as there has been in England is referable to another and a palpable cause—namely, the higher wages in the United States, which have constantly tempted British mechanics to emigrate, and which would have tempted many more if the inducement of an advance in wages at home had not been interposed.

Direct Protection to British Steamers.

Mr. Gladstone, however, commits himself to the principle that "all protection is morally bad." If this has been his belief ever since he became an advocate of Free Trade, his conscience must have received many and severe wounds as session after session, while Chancellor of the Exchequer, he carried through Parliament a bounty—may I not say a direct protection?—of £180,000 sterling to a line of steamers running between England and the United States,—a protection that began six years before free trade was proclaimed in English manufactures, and continued nearly twenty years after. In the whole period of twenty-five years an aggregate of many millions of dollars was paid out to protect the English line against all competition.

It may be urged that this sum was paid for carrying the Anglo-American mails, but that argument will not avail a free trader, because steamers of other nationalities stood ready to carry the mails at a far cheaper rate. Nay, a few years ago, possibly when Mr. Gladstone was Premier of England, public bids were asked to carry the Anglo-Indian mails. A French line offered a lower bid than any English line, but the English Government disregarded the French bid and gave the contract to the Peninsular and Oriental line, owned by a well-known English company. Still later the German Lloyd Company contracted to carry the Anglo-American mails cheaper than any English line offered, and the German company actually began to perform the duty. But Englishmen did not want that kind of free trade, and they broke the contract with the German line and again gave protection to the English ships. Does not this justify the opinion that the English policy of free trade is urged when England can hold the field against her rivals, and that when competition leaves her behind she repudiates free trade and substitutes the most pronounced form of protection?

Does Mr. Gladstone's estimate of the immorality of protection apply only to protection on land, or is supremacy on the sea so important to British interests that it is better to throw morals to the wind and resort to whatever degree of protection may be necessary to secure the lead to English ships? The doctrine of improving harbors in the United States by the National Government was for many years severely contested, the strict-construction party maintaining that it must be confined to harbors on the seacoast at points where foreign commerce reaches the country. During one of the many discussions over this narrow construction, an Ohio member of Congress declared that he "would not think much of a constitution that would not stand being dipped in fresh water as well as salt." I fear that Mr. Gladstone's code of morals on this question of protection will not secure much respect in other countries so long as it spoils in salt water. * * *

A Nut for American Free Traders to Crack.

The opposition to the policy of extending our foreign commerce by aiding steamship lines with a small sum, just as we have aided internal commerce on railroads with a vast sum, originates with the American Free Trader. Mr. Gladstone cannot fail to see how advantageous the success of this free trade effort in the United States must prove to Great Britain. The steady argument of the Free Trader is that, if the steamship lines were established, we could not increase our trade because we produce under our protective tariff nothing that can compete in neutral markets with articles of the like kind from England. How then can the Free Trader explain the fact that a long list of articles manufactured in the United States find ready and large sale in Canada? The Canadian tariff is the same upon English and American goods. Transportation from England to Quebec or Montreal is cheaper than from the manufacturing centres of the United States to the same points. The difference is not great, but it is in favor of the English shipper across the seas, and not of the American shipper by railway. It is for the Free Trader to explain why, if the cost of transportation be made the same, the United States cannot compete with England in every country in South America in all the articles of which we sell a larger amount in Canada than England does. I append a note naming the American articles sold in Canada, and the Free Trader, if candid, will admit that the list is one which is constantly and rapidly increasing.*

Large Fortunes Not Due to the Protection.

It may perhaps surprise Mr. Gladstone to be told that out of the fifty largest fortunes in the United States—those that have arrested public attention within the last ten years—certainly not more than one has been derived from protected manufacturing; and this was amassed by a gentleman of the same Scotch blood with Mr. Gladstone himself. The forty-nine other fortunes were acquired from railway and telegraph investments, from real estate investments, from the import and sale of foreign goods, from banking, from speculations in the stock market, from fortunate mining investments, from patented inventions and more than one from proprietary medicines.

It is safe to go even farther and state that, in the 100 largest fortunes that have been viewed as such in the last ten years, not five have been derived from the profits of protected manufactures.

In no event can the growth of large fortunes be laid to the charge of protective policy. Protection has proved a distributor of great sums of money; not an agency for amassing it in the hands of a few. The records of our savings banks and building associations can be appealed to in support of this statement. The benefit of protection goes first and last to the men who earn their bread in the sweat of their faces. The auspicious and momentous result is that never before in the history of the world has comfort been enjoyed, education acquired, and independence secured by so large a proportion of the total population as in the United States of America.

* The following articles of American manufacture are sold in Canada more largely than like articles of English manufacture:

Brass goods, copper goods, cordage, ginghams, bottles, flasks, India rubber goods, printing ink, ingrain carpets, wood manufactures, twines, tinware, slip-rosins, wall paper, writing paper, envelopes, blank books, strawboard paper, boots and shoes, leather and alum sole leather, leather goods, patent leather, enamelled oil-cloths, grain drills, harrows, harvesters, hoes, forks, mowing machines, scythes, spades, shovels, builders' and cabinetmakers' hardware, house-furnishing hardware, nails, firearms, sewing machines, screws, stoves, axes, jewelry, sterling and plated, silverware, pumps, locomotives, hatchets, hammers, saws, mechanics' tools, organs, pianos, "sectional" plan house furniture, especially bed-furniture.

JAMES G. BLAINE—The Exponent of Protection.

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