CHAPTER XII.

EXPORTS AND IMPORTS.

The aim of protection is to diminish imports, never to diminish exports. On the contrary, the protectionist habit is to regard exports with favor, and to consider the country which exports most and imports least as doing the most profitable trade. When exports exceed imports there is said to be a favorable balance of trade. When imports exceed exports there is said to be an unfavorable balance of trade. In accordance with his idea all protectionist countries afford every facility for sending things away and fine men for bringing things in.

If the things which we thus try to send away and prevent coming in were pests and vermin—things of which all men want as little as possible—this policy would conform to reason. But the things of which exports and imports consist are not things that nature forces on us against our will, and that we have to struggle to rid ourselves of; but things that nature gives only in return for labor, things for which men make exertions and undergo privations. Him who has or can command much of these things we call rich; him who has little we call poor; and when we say that a country increases in wealth we mean that the amount of these things which it contains increases faster than its population. What, then, is more repugnant to reason than the notion that the way to increase the wealth of a country is to promote the sending of such things away and to prevent the bringing of them in? Could there be a queerer inversion of ideas? Should we not think even a dog had lost his senses that snapped and snarled when given a bone, and wagged his tail when a bone was taken from him?

Lawyers may profit by quarrels, doctors by diseases, rat-catchers by the prevalence of vermin, and so it may be to the interest of some of the individuals of a nation to have as much as possible of the good things which we call "goods" sent away, and as little as possible brought in. But protectionists claim that it is for the benefit of a community, as a whole, of a nation considered as one man, to make it easy to send goods away and difficult to bring them in.

Let us take a community which we must perforce consider as a whole—that country, with a population of one, which the genius of De Foe has made familiar not only to English readers but to the people of all European tongues.

Robinson Crusoe, we will suppose, is still living alone on his island. Let us suppose an American protectionist is the first to break his solitude with the long yearned-for music of human speech. Crusoe's delight we can well imagine. But now that he has been there so long he does not care to leave, the less since his visitor tells him that the island, having now been discovered, will often be visited by passing ships. Let us suppose that after having heard Crusoe's story, seen his island, enjoyed such hospitality as he could offer, told him in return of the wonderful changes in the great world, and left him books and papers, our protectionist prepares to depart, but before going seeks to offer some kindly warning of the danger Crusoe will be exposed to from the "deluge of cheap goods" that passing ships will seek to exchange for fruit and goats. Imagine him to tell Crusoe just what protectionists tell larger communities, and to warn him that, unless he takes measures to make it difficult to bring these goods ashore, his industry will be entirely ruined. "In fact," we may imagine the protectionist to say, "so cheaply can all the things you require be produced abroad that unless you make it hard to land them I do not see how you will be able to employ your own industry at all."

“Will they give me all these things?" Robinson Crusoe would naturally exclaim. "Do you mean that I shall get all

these things for nothing and have no work at all to do? That will suit me completely. I shall rest and read and go fishing for the fun of it. I am not anxious to work if without work I can get the things I want."

"No, I don't quite mean that," the protectionist would be forced to explain. "They will not give you such things for nothing. They will, of course, want something in return. But they will bring you so much and will take away so little that your imports will vastly exceed your exports, and it will soon be difficult for you to find employment for your labor."

"But I don't want to find employment for my labor," Crusoe would naturally reply. "I did not spend months in digging out my canoe and weeks in tanning and sewing these goatskins because I wanted employment for my labor, but because I wanted the things. If I can get what I want with less labor, so much the better, and the more I get and the less I give in the trade you tell me I am to carry on—or, as you phrase it, the more my imports exceed my exports—the easier I can live and the richer I shall be. I am not afraid of being overwhelmed with goods. The more they bring the better it will suit me."

And so the two might part, for it is certain that no matter how long our protectionist talked the notion that his industry would be ruined by getting things with less labor than before would never frighten Crusoe.

Yet, are these arguments for protection a whit more absurd when addressed to one man living on an island than when addressed to sixty millions living on a continent? What would be true in the case of Robinson Crusoe is true in the case of Brother Jonathan. If foreigners will bring us goods cheaper than we can make them ourselves, we shall be the gainers. The more we get in imports as compared with what we have to give in exports, the better the trade for us. And since foreigners are not liberal enough to give us their productions, but will only let us have them in return for our own productions, how can they ruin our industry? The only way they could ruin our industry

would be by bringing us for nothing all we want, so as to save us the necessity for work. If this were possible, ought it seem very dreadful?

Consider this matter in another way: To impose taxes on exports in order that home consumers might get the advantage of lower prices would be quite as just as to impose taxes on imports in order that home producers may get the advantage of higher prices, and it would be far more conformable to the principle of "the greatest good of the greatest number," since all of us are con- sumers, while only a few of us are producers of the things that can be raised in price by taxes on imports. And since the wealthy country is the country that in proportion to its population contains the largest quantities of the things of which exports and imports consist, it would be a far more plausible method of national enrichment to keep such things from going out than to keep them from coming in.

Now, supposing it were seriously proposed, as a means for enriching the United States, to put restrictive duties on the carrying out of wealth instead of the bringing in of wealth. It is certain that this would be opposed by protectionists. But what objection could they make?

The objection they would make would be in substance this: "The sending away of things in trade from one country to another does not involve a loss to the country from which they are sent, but a gain, since other things of more value are brought back in return for them. Therefore, to place any restriction upon the sending away of things would be to lessen instead of to increase the wealth of a country." This is true. But to say this, is to say that to restrict exports would be injurious because it would diminish imports. Yet, to diminish imports is the direct aim and effect of protective tariffs.

Exports and imports, so far as they are induced by trade, are correlative. Each is the cause and complement of the other, and to impose any restrictions on the one is necessarily to lessen the other. And so far from its being the mark of a profitable

commerce that the value of a nation's exports exceeds her imports, the reverse of this is true.

In a profitable international trade the value of imports will always exceed the value of the exports that pay for them, just as in a profitable trading voyage the return cargo must exceed in value the cargo carried out. This is possible to all the nations that are parties to commerce, for in a normal trade commodities are carried from places where they are relatively cheap to places where they are relatively dear, and their value is thus increased by the transportation, so that a cargo arrived at its destination has a higher value than on leaving the port of its exportation. But on the theory that a trade is profitable only when exports exceed imports, the only way for all countries to trade profitably with one another would be to carry commodities from places where they are relatively dear to places where they are relatively cheap. An international trade made up of such transactions as the exportation of manufactured ice from the West Indies to New England, and the exportation of hothouse fruits from New England to the West Indies, would enable all countries to export much larger values than they imported. On the same theory the more ships sunk at sea the better for the commercial world. To have all the ships that left each country sunk before they could reach any other country would, upon protectionist principles, be the quickest means of enriching the whole world, since all countries could then enjoy the maximum of exports with the minimum of imports.

It must, however, be borne in mind that all exporting and importing are not the exchanging of products. This, however, is a tact which puts in still stronger light, if that be possible, the absurdity of the notion that an excess of exports over imports shows increasing wealth. When Rome was mistress of the world, Sicily, Spain, Africa, Egypt, and Britain exported to Italy far more than they imported from Italy. But so far from this excess of their exports over their imports indicating their

enrichment, it indicated their impoverishment. It meant that the wealth produced in the provinces was being drained to Rome in taxes and tribute and rent, for which no return was made. The tribute exacted by Germany from France in 1871 caused a large excess of French exports over imports. So in India the "home charges" of an alien government and the remittances of alien officials secure a permanent excess of exports over imports. So the foreign debt which has been fastened upon Egypt requires large amounts of the produce of that country to be sent away for which there is no return in imports. And so for many years the exports from Ireland have largely exceeded the imports into Ireland, owing to the rent drain of absentee landlords. The Irish landlords who live abroad do not directly draw produce for their rent, nor yet do they draw money. Irish cattle, hogs, sheep, butter, linen and other productions are exported as if in the regular course of trade, but their proceeds, instead of coming back to Ireland as imports, are, through the medium of bank and mercantile exchanges, placed to the credit of the absent landlords, and used up by them. This drain of commodities in return for which no commodities are imported, would be greater yet were it not for the fact that thousands of Irishmen cross the Channel every summer to help get in the English harvests, and then return home, and that from those who have permanently emigrated to other countries there is a constant stream of remittances to relatives left behind.[14]

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[14]In Dublin in 1882 I several times met the secretary of one of the great banking institutions whose branches ramify through Ireland. Each time he asked my opinion of the crop prospects in the United States, as though that were uppermost in his mind whenever he met an American. Finally I said to him, "I suppose poor crops in the United States would be to your advantage, as they would increase the value of the agricultural products that Ireland exports." "Oh, no." he replied; "we are greatly interested in having the American crops good. Good crops mean good times, and good times in the United States mean large remittances from the Irish in America to their families at home, and these remittances are more important to business here than the prices we get for our own products."

The last time I crossed to England I sat at the steamer table by two young Englishmen, who drank much champagne and in other ways showed they had plenty of money. As we became acquainted I learned that they were younger sons of English "county families," graduates of a sort of school which has been established in Iowa for wealthy young Englishmen who wish to become "gentlemen farmers" or "estate-owners" in the United States. Each had got him a considerable tract of new land, had cut it up into farms, erected on each farm a board house and barn, and then rented these farms to tenants for half the crops. They liked America, they said; it was a good country to have an estate in. The land laws were very good, and if a tenant did not pay promptly you could get rid of him without long formality. But they preferred to live in England, and were going back to enjoy their incomes there, having put their affairs in the hands of an agent, to whom the tenants were required to give notice when they wished to reap their crops, and who saw that the landlord's half was properly rendered. Thus in this case half the crop (less commissions) of certain Iowa farmers must annually be exported without any return in imports. And this tide of exports for which no imports come back is only commencing to flow. Many Englishmen already own American land by the hundred thousand, and even by the million acres, and are only beginning to draw rent and royalties. Punch recently had a ponderous joke, the point of which was that the British House of Lords had much greater landed interests in the United States than in Great Britain. If not true already, it will not under present conditions be many years before the English aristocracy will draw far larger incomes from their American estates than from their home estates—incomes to supply which we must export without any return in imports.[15]

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[15] The *Chicago Tribune* of January 25, 1886, contains a long account of the American estates of an Irish landlord, William Scully. This Scully, who was one of the most notorious of the rack-renting and evicting Irish landlords, owns from 75,000 to 90,000 acres of the richest land in Illinois, besides large tracts in other

In the commerce which goes on between the United States and Europe there are thus other elements than the exchange of productions. The sums borrowed of Europe by the sale of railway and other bonds, the sums paid by Europeans for land in the United States or invested in industrial enterprises here, capital brought by emigrants, what is spent by Europeans traveling here, and some small amounts of the nature of gifts, legacies, and, successions tend to swell our imports or reduce our exports.

On the other hand, not only do we pay in exports to Europe for our imports from Brazil, India, and such countries, but interest on bonds and other obligations, profits on capital invested here, rent for American land owned abroad, remittances from immigrants to relatives at home, property passing by will or inheritance to people abroad, payments for ocean transportation formerly carried on by our own vessels but now carried on by foreign vessels, the sums spent by American tourists who every year visit Europe, and by the increasing number of rich Americans who live in Europe, all contribute to swell our exports and reduce our imports.

The annual balance against us on these accounts is already very large and is steadily growing larger. Were we to prevent importations absolutely we should still have to export largely in order to pay our rents, to meet interest, and to provide for the

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States. His estates are cut up into farms and rented to tenants who are obliged to pay all taxes and make all improvements, and who are not permitted to sell their crops until the rent is paid. A "spy system" is maintained, and tenants are required to doff their hats when they enter the "estate office." The Tribune describes them as reduced to a condition of absolute serfdom. The houses in which they live are the poorest shanties, consisting generally of a room and a half, and the whole district is described as blighted. Scully got most of his land at nominal prices, ranging as low as seventy-five cents per acre. He lives in London, and is said to draw from his American estates a net income of $400,000 a year, which means, of course, that American produce to that value is exported every year without any imports coming back. The *Tribune* closes its long account by saying: "Not content with acquiring land himself, Scully has induced a number of his relatives to become American landlords, and their system is patterned on his own."

increasing number of rich Americans who travel or reside abroad. But the fact that our exports must now thus exceed our imports instead of being what protectionists take it for, an evidence of increasing prosperity, is simply the evidence of a drain upon national wealth like that which has so impoverished Ireland.

But this drain is not to be stopped by tariffs. It proceeds from a deeper cause than any tariff can touch, and is but part of a general drift. Our internal commerce also involves the flow from country to city, and from West to East, of commodities for which there is no return. Our large mine-owners, ranch-owners, land speculators, and many of our large farmers, live in the great cities. Our small farmers have had in large part to buy their farms on mortgage of men who live in cities to the east of them; the bonds of the national. State, county, and municipal governments are largely so held, as are the stocks and bonds of railway and other companies—the result being that the country has to send to the cities, the West to the East, more than is returned. This flow is increasing, and, no matter what be our tariff legislation, must continue steadily to increase, for it springs from the most fundamental of our social adjustments, that which makes land private property. As the land in Illinois, or Iowa, or Oregon, or New Mexico owned by a resident of New York or Boston increases in value, people who live in those States must send more and more of their produce to the New Yorker or Bostonian. They may work hard, but grow relatively poorer; he may not work at all, but grow relatively richer, so that when they need capital for building railroads or any other purpose, they must borrow and pay interest, while he can lend and get interest. The tendency of the time is thus to the ownership of the whole country by residents of cities, and it makes no difference to the people of the country districts whether those cities are in America or Europe.