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REVIEWS

Imperial Fiscal Reform. By SIR VINCENT H. P. CAILLARD
(London : Edwin Arnold. 1903. 8vo, pp. xx. 288.)

ABOUT half of this volume, we are told in the preface, is based on a series of articles that appeared in the *National Review* in the early part of 1902. The author had designed a work of wider and more ambitious scope, but the speech of Mr. Chamberlain in May, 1903, made a change in this as in so many other political and literary projects, and though still hoping at a more convenient season to complete the larger work, Sir Vincent Caillard thought it would be most useful to reproduce immediately the figures and arguments by which he had been led to anticipate, in part at least, Mr. Chamberlain's programme. In justice to the author this preliminary explanation must be borne in mind. The book was written without reference to the fiscal Blue-book or the later developments in Mr. Chamberlain's speeches. In the meantime, instead of completing the larger literary work the author has been called upon to take part in a much more arduous undertaking and has accepted a seat on Mr. Chamberlain's (private) Commission. In itself, and especially in view of this appointment, the present work is one of the most interesting of the contributions to fiscal literature. It may be read with great advantage by any one who has taken his ideas solely from Mr. Chamberlain's speeches, and some *Daily Resonator* of these speeches. To the fevered mind of such an one Sir Vincent's book will afford relief on the principles of Pasteur, or without metaphor he will find the most reasonable of the ideas of fiscal reformers expressed with moderation and lucidity and with no more of shading than is required for due literary effect. The author has not made up his own political economy at first hand, but to begin with has carefully studied the general argument of J. S. Mill and the restatement and the exceptions of Sidgwick

and more recent writers. His main difference with these later critics of Mill is that he thinks less of the negative argument founded on the want of wisdom, &c., of governments, and he attaches more weight to the exceptions and less to the general rule. He supposes also that during the last twenty or thirty years conditions have changed to such an extent that the experience of the previous generation of free trade is not conclusive, and that the question must be fought over again. The book is, in brief, a reasoned statement of the case for the reversal of our fiscal policy—and is written on the whole with studied moderation: *media felix via* as the author says of himself. It is true that the academic economist who is well up in his literature will not find anything very new or even newly expressed, but he may receive, if he cares to take it, a lesson in practical wisdom. He may find it expedient to descend from putting the final touch of utility to the weather cock on the top of the economic edifice and set himself to consider whether the change in the environment has not shaken the foundations. That is a most important practical problem in this country under actual conditions. He must either show that the old principles can be applied to the new conditions or he must accept new principles.

If, as is hoped, Sir Vincent Caillard has time after the completion of the scientific tariff to complete the larger work he may be invited to show much more clearly how conditions have changed since 1872, and why the policy which it is admitted was beneficial and successful after the repeal of the Corn Laws up to that time became unfit to survive beyond that date. The fiscal Blue-book gives a remarkable record of prosperity compared with former periods and with other countries, that is to say if we take the condition of the country in general as shown by the usual tests, *e.g.* wages, nominal and real; income tax returns; railway traffics; pauperism, emigration and unemployment. The falling off in the rate of expansion of one part of the export trade is not sufficient to turn the balance of evidence. Even Mr. Balfour admitted that the present was satisfactory enough and rested his argument on tendencies and hypothetical islands and the other aids to prophecy usual in economics. But economic prophets, even the best, have been rather unlucky; Adam Smith, for example, prophesied something about Free Trade and Utopia, and something else about the importation of corn and cattle which were not in the scroll; and it is quite possible that even Mr. Chamberlain may turn out to be not a Mahomet but a Mahdi. But on the whole what is required just now is not prophecy but

a careful study of the changes in conditions with the view of discovering if a change of policy is in any way desirable. Most writers on fiscal reform think they prove their point by simply calling attention to the vast improvement in communication both by sea and land and to the growth of manufacturing power in foreign states. The facts are undoubted, but what is the bearing on free trade and protection? The curious thing is that when most fiscal reformers come to give the arguments for a reversion to protection they use arguments which have nothing whatever to do with the change in conditions, but were used and were just as valid or invalid in the middle ages as now. They argue exactly as their mediæval prototypes that if a thing is imported that can be made at home, labour loses to that extent. That is the favourite argument of Mr. Chamberlain himself; but it has nothing whatever to do with change of conditions. The logical conclusion of such an argument is the old Chinese policy, and there are certainly a great many people in China. But what we want to know is why should improvements in transport and in telegraphs and in market organisation favour protection more than free trade. Military metaphors are in fashion with the reversion to old ideas of trade, and a military metaphor may be of service. Suppose the question were raised if soldiers should revert to some form of protective armour. Would it be of any use to point out that the conditions of war and the power of weapons have changed since Waterloo or Sedan, and that soldiers need more protection? Plainly we ought to connect the change in conditions with the changes proposed.

Sir Vincent Caillard has six preliminary chapters on the change in conditions, but the *nexus* with protection is extremely imperfect. It is this imperfection which is the source of the inconsistencies which are the principal failings in the book. And with a notice of some of these inconsistencies this review may fittingly close. Sometimes we are told that there are signs that our capital, formerly invested abroad, is being returned in the form of consumable commodities which apparently cease to be capital on landing on our shores, though capital when they leave the shores of the foreigner. But at other places the author complains that our capital cannot find employment at home and is being sent abroad. Now, no doubt with the improvements in transport, &c., capital can be more easily sent abroad or brought home, but what is the bearing on fiscal policy? and first of all:—which movement is preferable? Suppose a man sells American railways at a high price and invests in an industrial company at home under the chair-

manship (say) of Mr. Brailsford, the capital does not cease to be capital immediately, and until it is lost it will help to employ British labour. Possibly if Mr. Chamberlain's policy is adopted the capital will not be lost at all, and all will go well with the British labour employed. Is this not better than accumulating at compound interest abroad? But apart from the question which flow of capital is preferable—the inward or the outward—there is the further question: Which is more probable under the changed conditions? And next, how will the stream be affected by protection?

Then, again, take the export of coal. So long as it appears as a visible export in the aggregate returns of exports it seems to be a cause for alarm if there is any increase, but if it is used in making manufactures sent to the foreigner, or in carrying goods for him, or is exported in other invisible forms it is a national benefit. And why should such stress be laid on the export of manufactures? Surely to a sea-power the growth of shipping is of more importance.

The author in many places lays great stress on the importance of production on a large scale and he seems to think the greater the country the greater the scale, and the greater the advantage. But he does not consider the limits to the growth of individual businesses (as discussed by Professor Marshall) and the dangers to the large country of the creation of trusts. We are warned of the dangers to this country of foreign trusts, but the danger to the countries themselves from their own Frankensteins is passed over.

Sir Vincent Caillard insists throughout that the new duties ought to be moderate so as not to exclude foreign goods altogether. But it is not clear if the duties are to be protectionist why they should not be increased as in other countries.

In dealing with colonial preferences it seems to be assumed that this is the only alternative, although it is true a partial approval is given to Professor Davidson's proposal for subsidies to steamers. But if the subsidy or bounty principle is once admitted there are many ways in which it might be applied, and one or more of them may be preferable to the taxation of food which is opposed to the sentiments of a large number of people in this country. The book is, in short, a good statement of a bad case, and the defects are natural.

J. S. NICHOLSON