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SOME ECONOMIC CONSEQUENCES OF THE SOUTH AFRICAN WAR.¹

It has sometimes been remarked that men are prone to attach an unreal importance to divisions like those which separate one century from another. Certainly the expression *fin de siècle* has recently echoed in our ears until we have wearied of its iteration. We have seen many attempts to express in some comprehensive, but striking, phrase the characteristics of the century, which is dying. We have witnessed not a few endeavours to delineate the features of the new century, which is coming to its birth. And we have been reminded by cool, detached observers that after all the minds and manners of men do not alter, and the inevitable sequence of events does not change, because we write nineteen where once we used a lower figure. The fact indeed that we make this particular change before the new period strictly commences, and the controversy, which has arisen, on the precise moment, at which we leave the nineteenth, and enter the twentieth century, may serve to recall the arbitrary nature of such chronological boundaries. Yet it is natural that their presence should stimulate at once to reflection and prophecy. An occasion is offered when we may pause, looking back on the past and on to the future. We may try to discern the hidden meaning of movements and forces obscured or bewildering when first they made their appearance. We may indulge in the tempting occupation of pushing to their ultimate effects causes which have only begun to operate. Such essays may indeed be undertaken at all seasons. But they are perhaps more often, and appropriately, made when one epoch is ending and another is commencing. Nor is it irrational to suppose that the very occurrence, or approach, of such a period may exert a subtle, but appreciable, influence on actual practice.

¹ A Paper read before the Economic Science and Statistics Section of the British Association at Bradford, September, 1900.

The conduct of men is affected by their imagination, and the imagination is certainly influenced by the close or opening of such a noticeable division of time as a hundred years.

Books then, like the late Mr. Pearson's *National Life and Character*, or Mr. Kidd's *Social Evolution*, both of which attracted attention by the curious and ingenious speculations, which they offered, on the future of society, and the interpretation of the past, are a natural outcome of the times. Nor can it be gainsaid that the wars, first of China with Japan, then of Spain with the United States, and lastly of the English with the Boers, seem likely to be fraught with consequences of importance for the world. The events now happening in China promise to make the closing year of the present century, and the opening year, or years, of the next, remarkable for a contest, whether mainly diplomatic, or largely military, between the East and the West, between an old civilisation and the new, as serious and as eventful as any of the quarrels which we have mentioned. The last decade of the nineteenth century has not been destitute of important occurrences; the final year of that decade will, we may feel tolerably confident, take a prominent position in history. The philosopher as well as the statesman, the economist no less than the politician, may admit that the year 1900 is a date, which, for good or for ill, is likely to be remembered. It is a commonplace to say that we live in "stirring times." But it is a commonplace full of grim reality; and anyone, who has read his newspaper with attention during the succeeding months of this year, must sometimes have been forced to reflect on the significance of the events that have been noted, and may well have been led to wonder whether after all the close of one century, and the commencement of another, are not something more than the passage from artificial period of time to artificial period. It may be so; and yet the coincidence between the transition and a series of remarkable events is at least as curious as it is suggestive.

At the beginning of the century now ending, England was engaged in a war, which occupies a large place in our economic history. Its consequences to national finance were great. They have been summarised thus by Mr. Sydney Buxton: "The nation," he writes in his *Finance and Politics*,¹ "numbering some fourteen to fifteen million souls, entered into the Great War burdened by a debt of two hundred and forty millions, and with an expenditure (exclusive of the sinking fund) of some eighteen to nineteen millions a year—of which the Army and Navy ab-

¹ Vol. I., pp. 7—8.

sorbed about six; and the Debt-charge nine and a half—the revenue amounting to about twenty millions. Twenty-two years later they emerged from the War—a war which had seen a generation come and go, and a hostile Republic change into an aggressive Empire—numbering some twenty millions of persons; burdened by a debt of nine hundred millions; with a revenue of nearly eighty, and with an expenditure of a hundred millions, of which the debt now absorbed thirty-two and the Army and Navy over fifty-six millions.” Such were the immediate financial results of the Great War; its indirect effects were equally, if not more, important. It postponed the progress of fiscal reform. The work effected by the genius of Walpole during the unbroken peace of a long administration had since been largely undone by the combined influence of a succession of wars and the practice of indifferent finance. Pitt, instructed in the more liberal teaching of the *Wealth of Nations*, was ready, towards the close of the eighteenth century, to resume the task. And he had made some advance. He had attempted to balance revenue and expenditure. He had tried to reduce debt, even by the delusive means of a fallacious sinking-fund. He had lowered excessive duties, and had improved the machinery of their collection, before the Great War created an imperative necessity for raising revenue by all possible methods from every available source; and fiscal reform was rudely, but forcibly, thrust aside. The last year but one of the century was also remarkable from the fiscal standpoint for the imposition of the Income Tax. At first designed as a war-tax, to be raised only for a time for a special purpose, then employed later, also for a limited period for a definite object, by Peel and Gladstone to enable them to remit indirect taxation, and to simplify a complicated tariff, it has, at the end of the nineteenth century, become a permanent mode of raising revenue, and we have seen a rate of eightpence in the pound in time of peace. Yet it has not ceased, as the shilling rate of this year may remind us, to be one chief resource of Chancellors of the Exchequer anxious to raise quickly additional revenue urgently needed in time of war.

The effects of the Great War were felt outside the Exchequer. The suspension of specie payments during the Bank Restriction was occasioned immediately by the stress, feared or felt, of the War. The introduction of a gold standard on the resumption of cash payments, and the controversy on the proper mode of regulating the paper issue, which resulted in the Act of 1844, were connected, indirectly at least, with what had happened

during the war, whether the experience was, or was not, correctly interpreted. The alarming growth of pauperism, which led to the Poor Law Amendment of 1834, was largely due to lax administration, and that laxity was, in part at least, prompted by the feeling that it was a patriotic duty to stimulate the growth of population, and thus to supply the soldiers to fill the armies fighting against Napoleon. Funds were also needed to maintain those armies, and the rapid production of wealth seemed a paramount necessity, in securing which considerations, which at other seasons might have received due attention, were liable to be neglected. The new manufactures, called into activity by the fresh mechanical developments, were an obvious effectual means of supplying the increased wealth urgently needed. They, in their turn, demanded an abundance of cheap labour. They emphasised the advantage of a numerous population. They tended to make the nation, the manufacturers and the parents, by whom the responsibility and the blame must be shared, careless of the health of the rising generation. For it required a larger view than any suggested by immediate demands to provide by legislation against the serious mischief threatened by the evil conditions obtaining in some regions of factory employment to the physical, the mental, and the moral welfare of the workers. The comparative absence, lastly, of foreign competition during the War permitted an extraordinary growth of commerce and industry, just as the conclusion of peace was followed by prolonged depression, in which agriculture, no less than manufactures, bore its share.

The Great War, then, in which England was engaged at the beginning of the nineteenth century, was an economic event of the first magnitude. In many respects it would be absurd to regard the war with the Boers, with which we have been occupied at its close, as comparable with the earlier contest. An addition of the whole cost of the South African War to the debt, supposing that that were conceived as likely, would bear no comparison to an increase in that debt by nearly three times its original amount during the Napoleonic War. Nor is an income tax of a shilling in the pound to be placed in the same parallel with one of twice that figure at the close of the eighteenth century. The sums involved in the two cases, taken absolutely, are very different in quantity, just as the duration of the later contest has promised to be very much shorter than the score or more of years of the earlier struggle. The more recent war, indeed, measured by the time over which it has extended, has been far more costly. The

number of men placed in the field, the distance over sea and land for which their transport has had to be provided, the expense of munitions and supplies, have been more considerable; and, if it were likely that a modern war on a large scale should last as long as the Napoleonic contest, there can be little doubt that it would strain to the utmost the finances even of any first class European power. Such an occurrence, however, is improbable; and it is more likely that, as in the Franco-German War, the issue would be speedily reached. At any rate, the duration of the South African War admits of no comparison with that of the Great War at the beginning of the century, and the expenditure involved in the two cases is, taken absolutely, very different. Measured relatively to the material resources of the English nation at the two periods respectively, the one set of figures may be described as trifling, while the other was enormous. Even if the ultimate consequences of the South African War, in the form of a permanent increase of military expenditure, should prove, as they probably may, considerable—greater than any caused by the war against Napoleon—there is little or no serious reason for thinking that the nation would be less able to bear the larger burden.¹

This expenditure, economically viewed, may be an evil rather than a good. It may fall, in a large degree, under the head of what would be accounted “unproductive” expenditure, though, in accordance with more recent interpretations given to the term, we can hardly regard necessary expenditure on the defensive forces required to afford security to commerce and industry as “unproductive.” Even if this were the case, the maxim of Adam Smith, who attached a meaning to the term “productive,” that we should now consider narrow, would apply, that “defence” is “of much more importance than opulence.” It is, in truth, a condition of continued opulence. It is also possible—indeed we may say it is probable—that the increasing severity of competition in our manufacturing industries and trading relations may render it more desirable in the future than it has been in the past to husband carefully our resources, and that, as the competition grows more formidable, the pressure of increased taxation may prove more sensible. Ominous signs have certainly appeared in the past year that the warnings uttered by Jevons,² and repeated

¹ Cf. Sir R. Giffen in an article in the *ECONOMIC JOURNAL* for June, 1900, on “Some Economic Aspects of the War.”

² In his *Coal Question*.

by Mr. Courtney,¹ of the greater cost attending the continued supply of that coal, which is still, it would seem, necessary as the source of much of our motive-power, may be so far realised, even in the near future, that it may call for some considerable counter-weight, if our industrial and commercial supremacy is to be maintained, or if we are to remain on an equality with other nations in our share of the new trade of the world. Such reflections as these point in the direction of avoiding, if it be possible, as the consequence of military expenditure, any permanent increase of national indebtedness. They are strengthened by the great and constant growth of local and municipal indebtedness, even when we remember that this is largely due to the execution of productive works, or to the performance of remunerative services, from which an ultimate return in increased revenue may be expected. Yet it remains true that the cost of the South African War is trifling in comparison with that of the Napoleonic contest, and that the direct or indirect burden can be borne without difficulty by so rich a nation. If the Transvaal itself be required to meet a large proportion of the direct expenditure, the weight on England, when indirect consequences are brought into the account, may be described as inappreciable in contrast with the strain imposed by the Great War on the scantier resources available at the beginning of the nineteenth century.

Yet it may be instructive to consider some possible effects of the later war. It is not certain that some of its ultimate and less immediate consequences may not be comparable in importance to those of the Great War; and, while its influence on the finances of the country may be small, when the proper tests and measures are applied, and may soon disappear, it may yet leave behind traces, at once ineffaceable and large, on fiscal policy and social and economic conditions. In framing such a forecast we are venturing, no doubt, into the attractive but uncertain region of prophecy, and our conclusions must of necessity be probable rather than sure. But a war, such as that in which we have been engaged, is a disturbing factor, which, apart from any passing influence on the normal course of affairs of an industrial and commercial nation, may serve the purpose of supplying just the force, which is needed, to move the minds of men from some fixed groove in which they had settled, and may divert the current of

¹ In the Presidential Address to the Royal Statistical Society, 1897 (*cf.* JOURNAL for 1897, Part IV.).

events into a different channel from that in which it had been flowing.

Before we notice more remote and problematic effects of the war, we may turn our attention for a moment to its more immediate and obvious results. It has coincided with a period of economic prosperity, when manufacturers and traders have been busy, and employment has been steady and abundant. It is possible that the series of reverses, which occurred in one eventful week of last December, might have been faced in a different spirit, and have led to other consequences, had they happened at a season of depression, when labourers were out of work, when factories and shops were standing idle, and when employers and merchants were disheartened by losing trade. Such, at any rate, was not the case. The demand for armaments and stores, however, has undoubtedly been reflected in the special activity of particular trades ; and, when the war is over, a certain slackness should follow, corresponding to the unusual briskness, so far as it is not counterbalanced by a permanent increase of military expenditure. Similarly, the gaps in the labour market, caused by the growth in the numbers of the army in the field, have occasioned a more intense demand for labour at home, which has received higher remuneration ; and in the agricultural industry, where labour has for a while past been scarce, some difficulty has been caused. So far as disbanded soldiers return to their ordinary avocations at the close of the war, and there is not a permanent increase in the regular army, a greater quantity of labour seeking employment should tend to some corresponding reduction in its remuneration. On the other hand, some sections at least of South African trade have been disturbed by the outbreak and continuance of the war, if others have been specially stimulated by the presence and needs of so large an army ; and the conclusion of peace should be followed by a revival in the disturbed departments, which, at first at any rate, would be the more considerable in consequence of the very check which has been imposed. If we were not occupied solely with the South African War, we might point out similarly that, while the troubles in China must cause some serious dislocation to the cotton industry of Lancashire and the opium trade of India, the restoration of order, once effected, would probably be followed by a recovery the more marked, and, at first, the more rapid, because of the temporary dislocation. We must not conclude that the men, who finally gain, are identical with those, who have lost, or that an economic "harmony," as the older economists would have

phrased it, prevails. It is only the case that the reaction from a period of enforced inactivity sometimes, or usually, exceeds in intensity, for the time at any rate, the force of the previous movement. The imposed delay and the obstructing hindrance increase the momentum gained when the obstacles are removed, and the restraints are relaxed.

I. The conclusion of the South African War is likely to be followed, after an interval, by an increased output from the gold mines of the Rand. Their preservation from destruction, threatened or intended, has, no doubt, hastened the arrival of this period. The immediate consequence should be a greater demand on the part of the mining community, restored to its former numbers, or increased beyond that limit, for goods needed for personal use, or for the prosecution of their work. A further consequence, to be expected under normal circumstances, is a rise of gold prices. This, however, is a consequence, which it is hard, if not impossible, to bring to a precise quantitative measure. Six years ago an eminent statistician¹ put forward the opinion that, in view of the comparative cessation of extraordinary demands for gold, such as those which had attended the adoption of a gold coinage by Germany after the Franco-German War, or the return of the United States to specie payments on a gold basis after the Civil War, and of the increased production of gold from old and new sources of supply, which was again raising the output from the lower point, to which it had sunk in the interval, to the level attained at the time of the Australian and Californian discoveries, the fall of gold prices was at an end, and a rise might be expected. Three years later the same authority admitted that his anticipations had been, temporarily at least, disappointed, and the rise, for which he had looked, had not yet occurred. In a special memorandum contained in the Final Report of that Commission on Agriculture, before which, in 1894, Sir Robert Giffen had uttered his prophecy, he used, in 1897, the following language :² "I have to acknowledge that the recovery of prices, which I then looked forward to, has not only not taken place, but the movement so far has been in the opposite direction. I hardly think that the degree of effect on prices as yet quite corresponds to the abundance of the gold supplies at the present time." This failure of prediction may perhaps have been due to a disinclination to attach so much importance to some counter-acting circumstances as his opponents in monetary controversy

¹ Sir Robert Giffen in evidence before the Royal Commission on Agriculture, Q. 18173, &c.

² P. 176.

would have been disposed to give; and it is possible that confirmed bimetallists may have felt less surprise than any, that a convinced monometallist, like Sir Robert Giffen, was likely to evince, at the amount of the increased production of gold needed to overcome the resistance offered by the larger employment, realised or anticipated, of that metal in the currencies of the world. But, whether this be, or be not, some explanation of the position three years ago, it is difficult now not to believe that the effects of the considerable additions of recent years to the output are evident in a rise of gold prices. The attentive student of an index number, recording the alterations in general prices, such as that published month by month by Mr. Sauerbeck, must find it hard not to be convinced that by this time he can detect signs of the operation of some cause more deeply seated beneath the changes due to the movement of credit. Below the periodical ebb and flow of the tide of commercial prosperity the "secular" movement of prices, as Cournot distinguished it, which was due to the supplies of the precious metal as compared to the demands made upon it, seems now to be as apparent as in the complicated phenomena of the modern world it can ever become. And it is reasonable that this should be the case. Not merely have new abundant sources of supply, such as the auriferous regions of Klondyke, been discovered; but improvements in the extraction of the metal, like the cyanide process, rendering it possible to treat successfully deposits too poor to be worth working before, have largely increased production from the older sources. The temporary gap caused by the cessation of the output from the Rand has apparently been filled, so far at least as the total output has not failed to increase, and the consequent rise of prices has proceeded. With the restoration of peace in South Africa, we may with confidence expect that the addition of an augmented supply from the rich neighbourhood of Johannesburg will advance the rise of prices which has begun.

But the experience of the past enjoins great caution in any estimate we may form. It is true that the annual output may already be double that attained at the highest level of the middle of the nineteenth century. But, on the other hand, the percentage of increase reached in the Australian and Californian period amounted to as much as nine hundred, and at present it has not risen to more than two hundred per cent;¹ and, in considering the effects of additions to the supplies of the precious metals on their

¹ Cf. the present writer's *Money in its Relations to Prices*, ch. v.

value, the "argument from percentages" assumes an importance, which it may not possess elsewhere.¹

The original level of prices is fixed ultimately by the total quantity of the precious metal, or metals, compared with the work which they have to do, and a change in their value depends essentially on the percentage borne by the additions due to an increase in the output to the former stock.² On the ground, then, of a comparison between the percentage of increase of recent years in the output of gold and the percentage shown at the time of the Australian and Californian discoveries, we should not anticipate so large a rise of gold prices as was then occasioned.

Nor was the actual rise then evident by any means as great as had been expected. The alarm felt at a possible "avalanche" of gold by competent and sober observers³ was not realised. The resulting change in gold prices was effected by a cause operating so subtly and so insensibly that it required careful inquiry to establish its reality; and Jevons, who was fully alive to the "insidious" nature of the forces, and investigated their working in so scientific a spirit that his researches form an epoch in the history of monetary study, was compelled to confess that the prediction he had made in 1863 of a rise of forty or fifty per cent. within half a dozen years, had, when those six years had actually passed, been fulfilled by an advance of only eighteen per cent.⁴ Even three centuries ago, in the Elizabethan age, before credit was developed, when the action of the metals upon prices was more direct and less complex, Newmarch has pointed out⁵ that a rise of 200 per cent. in prices, such as was established, was less than might have been predicted from the increase in the production of the precious metals, which had certainly been trebled, and perhaps had been quadrupled, or multiplied by an even higher figure.

The explanation of the riddle is to be found in the strength of the counteracting forces. It is true that in the middle of the nineteenth century the "compensatory action" of the bimetallic mint of France, taking the new gold in increasing quantities, and releasing the silver, which found its way to the East, served the purpose, as it was said instructively, of a "parachute" to break

¹ Cf. Sir R. Giffen in his *Essays in Finance*, second series vi. and vii., on comparisons between the growth of the trade of different countries.

² Cf. Sir R. Giffen himself in evidence before the last Indian Currency Committee, Q. 10116.

³ *E.g.*, by Chevalier.

⁴ In his *Investigations in Currency and Finance*, II. and III., pp. 54 and 153.

⁵ Cf. Tooke and Newmarch's *History of Prices*, Vol. vi., Appendix II.

the fall in the value of the gold; and at the present time we cannot count on such "compensatory action." But, on the other hand, the "normal" counteracting causes, as we may so distinguish them, found with a monometallic standard, are likely to be more powerful and rapid in their action than they were in the middle of the century, or than they could have been in Elizabethan times. We may even dismiss for the moment the possibly important factors of new demands for gold for currency purposes on the part of India, endeavouring to establish an effective gold-standard, or the United States, ranging themselves definitely for gold and against silver, or of countries, like Russia, or Austria-Hungary, or Japan, seizing the opportunity to obtain the means to carry to completion monetary changes already begun. We may argue that, even without these factors, with the increased use of gold in the currencies of the world as a whole, with the great growth of trade and industry, enlarging the work of exchanging to be done to an extent exceeding, in all probability, the more frequent and general employment of credit-instruments and other substitutes, with the development of credit itself, permitting the more speedy and extensive influence on prices of additional supplies of the precious metal, but also setting in action more rapidly and universally such counteracting causes as expanding business and higher wages, which must call for an "extension" of the currency—under such circumstances, we may argue, it would be rash to anticipate, even when the increased output of the South African mines has been added to the augmented production of other new or older sources of supply, a larger rise of prices than occurred in the middle of the century. All prediction, however, on such a matter must be uncertain, when we attempt to reduce our prophecies to a quantitative standard. We may contend that a rise of prices is probable; we cannot with assurance maintain that the rise will reach, or remain at, such or such a figure. Into the possible consequences of such a rise of gold prices as we may fairly anticipate we cannot now enter. We believe that they are likely to be beneficial in stimulating fresh commerce and lightening the burden of old debt. We think that, by lowering the value of gold, they may assist the satisfactory solution of an unsettled monetary position. But, from lack of space, we cannot now accord these questions the full consideration, which they undoubtedly deserve. We must be content to note them and pass on.

II. Perhaps the most striking and significant feature of the war in South Africa has been the aid spontaneously and enthu-

siastically given by the colonies to the mother country. The demonstration may have been prompted by a keener sense on the part of the colonies of the advantages they enjoy, in respect of defence of their shores from hostile attack, from their connection with the naval power of England. Such a feeling is not likely to lessen the influence of genuine affection for the old country; and every prudent statesman would rejoice to see sentiment strengthened by interest. In any case, it is difficult to think that the action of the colonies has not been noted by foreign nations with respectful attention. It may have aroused their surprise, but it will enter as an important element into their hopes and their fears. It has probably caused some amount of pleasant astonishment in England itself, and that perhaps has been scarcely less generally felt by those who, for some time, have endeavoured to give emphasis to aspirations after Imperial Federation than by politicians, trained in the habits of a previous period, who had convinced themselves that eventual separation was the only possible issue to which reasonable men could safely look forward. Ambitions, which once seemed remote and even chimerical, have certainly been brought nearer and made more real by recent events, and apprehensions, once naturally entertained, have been banished to a more respectful distance.

It seems impossible to doubt that this movement has its economic side; and the cool, detached observer of the current of events must feel that, for good or for ill, he has to reckon in the future, as a consequence of the South African War, with increased momentum behind the conception of an Imperial Zollverein. The difficulties of such a project may be great, and a Customs Union of the mother-country and the colonies of the British Empire may be different from a union of the States of the Germanic Federation or of the American Commonwealth. Countries situated in the four corners of the world, and separated, or connected, by wide stretches of sea, are differently placed from states adjoining one another, and mostly comprised within one continuous boundary. It is impossible to say that such difficulties will be overcome, or to determine the manner in which they are most likely to be met, or evaded; but in a scientific assembly like this it may be possible to put forward some general considerations, which seem to be apposite, and may not be misunderstood.

It is probable that the realisation of an Imperial Customs Union will involve some departure from what are conveniently,

if vaguely, described as the principles of Free Trade. Free Trade, in the strictest definition of the term, implies the absence of differential treatment of goods. It implies that trade is to be allowed to flow in its natural channels, unhindered and unaided by governmental interference in the shape of discriminating taxation. Such taxes as are imposed are to be levied for revenue purposes, and not to encourage one industry and to discourage others; to protect, in short, home producers from foreign competition. It has sometimes been cogently urged that, within the area of the United States, the absence of protection of State from State means the prevalence of free trade over a district of immense size. It is similarly possible that the establishment of a Customs Union for the British Empire might imply that, within the wide limits of that great empire, a larger amount of free trade might be practised than exists at present in the same portion of the world's surface. Yet it cannot be doubted that, side by side with that internal free trade, there would be some differential or discriminating treatment of foreign goods, similar in kind, if it did not correspond in degree, to that applied by the United States to external traders. Few advocates of an Imperial Customs Union would wish, or care, to deny the presence in their scheme of some discrimination between the origin of different goods in respect of taxation imposed upon them; and it seems no more than verbal captiousness to dispute that, to this extent, they must come into conflict with the principles of Free Trade as usually understood, and as strictly interpreted.

There are, perhaps, two general propositions, which may be stated with confidence as the result of theoretical discussion, and of actual experience. On the one hand, it can hardly be denied that the tendency of later economic reasoning has been to weaken some of the arguments urged for Free Trade. Recent elaborations of theory, in connection with the incidence of taxation, have shown that, granted the possession of complete knowledge, and of entire freedom from corrupt motives, governments might manipulate duties on the import or export of goods so as to injure their rivals rather than themselves. A government may contrive to throw the greater final burden of a tax, not on the home consumer, or producer, but on the foreign producer, or consumer, of the goods on which it is primarily levied. The distinction between commodities obeying a law of "increasing" and commodities obeying a law of "diminishing" returns was thus employed long ago by Senior in considering the effects of taxation; and it is impossible for any instructed student of Economic

Science to-day to rest content with the hard, dry doctrine of some of the earlier, more strenuous, advocates of Free Trade. On the other hand, it seems equally certain that the practical experience of countries like America or France has shown, only more clearly than before, the certain dangers and possible evils of protection or discrimination. The extreme difficulty of limiting your action—of making sure, for instance, that if you wish to tax manufactured articles alone, you will not find that you are levying a burden, which you did not intend, on the material of some other industry—and the great advantage of being able to answer all applications for aid from different trades by the easy, if unsatisfying, reply that the Government maintains an attitude of strict neutrality, have not grown less manifest of recent years. If the theoretical advantage of differential treatment has been strengthened, the practical objection to “lobbying” by different interests has certainly not been weakened.

Yet it is possible that, to secure a political end, an economic sacrifice may be deemed necessary or advisable. It is also possible that in the long run a temporary economic loss may result in the avoidance of greater loss, or the achievement of gain. It is difficult to read the history of the development of English industry and commerce without recognising that there was another side to that Mercantile Policy which Adam Smith so vigorously assailed and, from his point of view, so rightly condemned. It is no more unjust to say that he was imbued with cosmopolitan aims than that his opponents were animated by nationalist ideas. He regarded their system from a new economic standpoint, and he was prepared, if necessity required, to place some political considerations above economic loss or gain. Similarly, were it possible to bind the colonies closer to the mother-country by an arrangement involving, whether on the side of the mother-country or of the colonies, some amount of economic loss, at least of a temporary character, it is not easy to say that it would not be the duty of a wise statesman, whether he belonged to the home or to some colonial government, to incur the loss. He might indeed find it hard to persuade his countrymen of the wisdom of his action, if they once realised the loss; and he might argue that it would be apparent prudence, but real folly, to attempt to lead them in a direction obviously opposed to their present, or at least their permanent, economic interest. The economist may properly urge that the step should be knowingly taken, that, if temporary considerations are subordinated to permanent objects, the nature and extent of those objects should be clearly

apprehended, and that, if economic loss is risked, it should not be concealed. For such reasons there is, on general grounds, more to be said in favour of proceeding by bounties, which evidently involve a direct contribution to the needs or claims of some industry, or industries; and there is less to be urged in support of import duties, the ultimate effects of which are likely, and are even intended, to be obscure.

Lastly, the economist may consider that not a little protectionist reasoning is still vitiated by crude fallacies about money, such as Adam Smith exposed, and yet he may not fail to attach importance to other considerations, which *pro tanto* weigh in the balance against Free Trade. To take strong but familiar cases, it is theoretically possible, though it may not be practically probable, that, on principles of Free Trade, a country should abandon entirely the raising of corn, or that its population should become exclusively urban and industrial. And yet there may be grounds on which such a result may be deemed unwelcome, or disadvantageous, or even dangerous. If it be so, an economic sacrifice may be deliberately incurred for a more important political object, or a temporary loss may be knowingly undertaken in order to secure ultimate gain. These are typical illustrations; and the moral of the whole discussion can only be summarily stated. The broad conclusion is that such questions must be ultimately decided mainly on practical grounds, but that the business of the theorist, such as we profess to be in this Section of the British Association, is to enable the practical man to realise what he is doing, to act with his eyes opened, to discern the consequences, distant as well as near, of his action. On the particular question of an Imperial Customs Union, the day is probably past when the theorist can meet the demand, which the South African War is likely to make more imperative, with a mere plea of inability to consider. An open mind, ready to listen to reasoning, if it can convince on grounds of reason, is now, as always, more opportune than a pedantic adherence, at all costs, to the letter of a creed.

III. A third possible consequence of the South African War must, from considerations of space, be noticed very briefly. The war has rendered more real the unity of the component parts of the Empire. It has also bound more closely together the different classes of the population of the mother-country itself. It has indeed been urged that the war was originally begotten of capitalist ambition, and into this disputed question we may be

excused from entering. But it has certainly been impossible for the cool, detached observer to watch the crowds scanning the telegrams received from the seat of war without noticing the various classes of the community, to which they belonged; and it cannot be questioned that in anxiety for the fate of relatives or friends, and in desire for the success of the British arms, and the discomfiture of the enemy, classes have been united to an extent, which has not been seen before in this generation. This feeling, again, must have its economic side. So far as socialistic schemes are based on class dissension, and intended to take from the possessions of one class to add to those of another, the force of their appeal must be weakened for the time. The wealthier sections of the community, and those, who occupy a higher social rank, have certainly shown no more reluctance to risk their lives on behalf of their country than the poorer classes of the population; and it is not under conditions like these that social disturbance is bred, or class enmity excited. It is an incidental, but important, consequence of the increased expenditure on military objects that funds are wanting, for the time at least, for costly social experiments. This want may have its disadvantageous as well as its advantageous side. Whether the movement for pensions for the aged falls, or does not fall, under the class of hazardous or undesirable reforms, there can be little doubt that it has been defeated or postponed in consequence of the war; and it may at least serve the purpose of an illustration. It is possible that future Chancellors of the Exchequer may be driven by larger demands on the public purse, to maintain the defensive forces of the country, to seek sources of revenue more diversified than those which they control at present. It may be that in doing so they may realise, in a measure, some socialistic aspirations, which have cast a longing eye on various forms of "unearned increment." It may be that in any case they would do well to use the fleeting opportunity for placing the revenue on a broader basis—not necessarily by extensions in this, but perhaps in other directions—presented when people are prepared to contribute more readily to national needs than at other times of less critical importance. But it is unlikely that they should lend any but unwilling ears to proposals for social reform, which require large expenditure. This, as we have remarked, may be an evil or it may be a good; but it is undoubtedly a fact with which we have to reckon. It was probably a sound instinct, which led Mr. John Morley, in a recent notable speech at Oxford,¹ to

¹ To the Palmerston Club on the 9th June, 1900.

contrast militarism with socialism, though he may have based the comparison on somewhat different grounds.

We have now noticed some of the possible economic consequences of the South African War. We have dealt with those which belong to the region of the probable rather than the certain, and we have been compelled to touch them hurriedly, and to put forward trite considerations. But they certainly offer a fertile field for reflection, and they hardly seem of less real importance than some of those fiscal, social, and economic changes, which followed the great war at the commencement of the present century. The new century will soon show how far they are, or are not, to be fulfilled.

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