

WILEY



Review

Author(s): F. Y. Edgeworth

Review by: F. Y. Edgeworth

Source: *The Economic Journal*, Vol. 19, No. 73 (Mar., 1909), pp. 100-102

Published by: Wiley on behalf of the Royal Economic Society

Stable URL: <http://www.jstor.org/stable/2220519>

Accessed: 27-06-2016 16:43 UTC

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at

<http://about.jstor.org/terms>

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.



Wiley, Royal Economic Society are collaborating with JSTOR to digitize, preserve and extend access to
The Economic Journal

those who are still on the fence hesitate before deciding to come down on the Tariff Reform side. The Report has a good index, and has been excellently prepared by Mr. J. A. Murray Macdonald, who also writes the Preface.

HENRY S. FURNISS

Bedeutet Export von Produktionsmitteln Volkswirtschaftlichen Selbstmord? Unter besonder Berücksichtigung des Maschinen- und Kohlenexports Englands. (Volkswirtschaftliche Zeitfragen . . . der Volkswirtschaftlichen Gesellschaft in Berlin.) Von DR. HEINRICH DIETZEL. (Berlin : Simion. 1907. Pp. 65. Price 2 marks.)

THE mercantilist policy of restricting certain classes of exports, discredited during the nineteenth century, has lately shown signs of revival. Oldenberg (in his *Deutschland als Industriestaat*, 1897) deprecates the export of machinery to undeveloped lands as a business which is digging its own grave. The same metaphor is applied by Kautsky to the English iron industry. Pohle, Wagner, Schmoller, and Frau Schwab (in her *Chamberlain's Handelspolitik*, 1905) concur. The movement in favour of restriction is not confined to Germany. Sweden has already put an export duty on some kinds of wood. In several countries it is to be expected that export duties will be employed as weapons in tariff warfare. In these circumstances Professor Dietzel has been moved to inquire whether it is true that the export of factors of production constitutes economic suicide. The argument is pointed by special reference to two cases (*paradebeispielen*) which are paraded by the alarmists (*dekadencerufer*), the export of machinery and the export of coal from England.

Why does England export spinning-machines in large quantities? Because England has an advantage, due to acquired skill and production on a large scale, the same sort of advantage as that which leads Germany to export "sugar-machines" and brewing machinery. The rise of wages and fall of profits which has occurred since 1850 has urged England towards the production of highly-manufactured products (*Qualitätsartikel*). England has moved further and quicker in the direction of high-grade manufacture than the Continent; Professor Ashley's view, that England "with a lessening hold on the industries which require and cultivate independence is turning apparently more and more to occupations in which it has an advantage in the mass of cheap, low-grade and docile labour," is met with a flat denial. The

pessimists who maintain the theory of deleterious export (*der bösen export*) are steeped in (*leben und weben in*) mercantilist conceptions; yet they fail to recognise the one good point in those doctrines, the preference for high quality in work. Frau Schwab and the rest can see only factors of production in exported machinery; they fail to see articles of high quality. They have not even the merit of consistency. They point to the United States as an example; yet the rise in the export of manufactured articles from the United States depends partly on the increased export of machinery, partly on the increased export of half-manufactured articles—which is also, according to these authors, a suicidal business.

To go on to the next branch of “grave-digging” businesses; it is true that *coal* cannot be described as a highly-manufactured article. But coal forms a ballast and balance without which the importation of food and raw material into England would be more costly, as Dr. Schulze-Gavernitz has pointed out; all the more, as Professor Dietzel adds, in that highly-manufactured exports are apt to be less bulky. The considerable proportion of exported coal, perhaps a third part, which supplies British shipping cannot be described as giving away the national capital to foreigners. This portion, at least, of the export is closely connected with the development of high-class industries pertaining to the supply of shipping. “When England exports coal (and with it shipping services) she exports a mass of manufactured articles of her own production.” “Machine export and coal export are, so to speak, Siamese twins.” “The export of coal is the condition of the export of such British goods and services which absorbs the maximum of capital and highly qualified labour and have the widest market.” Again, the portion of coal which is exported for the purpose of warming inhabited houses abroad cannot be described, in the phrase of German Protectionism, as “heating the kettle” of the foreign producer. Moreover, a large export of coal to a foreign country which could be cut off in time of war is a weapon of war. Also, “the greater the increase in the export of coal, the greater is the increase in the commercial fleet of England; the larger that fleet grows, the larger, potentially at least, grows the Royal Navy (*Kriegsflotte*) which can be recruited in time of war from the mercantile marine.” Altogether, “so long as the abundance of coal holds out, the increase in the export—which can only continue so long as the superabundance lasts—is no evil, but a good.” What danger there may be is no wise lessened by the Protectionist proposals. “We are, indeed,” writes Professor Ashley,

“running the same risk when we use up our coal in our own manufactures, but in this latter case we are not so quick about it.” “Indeed!” exclaims Professor Dietzel; “surely the assertion would only apply if the manufactures worked only for England’s individual demand . . . but if they produced for export, the rate of exhaustion [of coal] is the same as if, instead of manufacture, coal is exported.

These arguments are reinforced by the presumption that the gain to one party is not a loss to another in international trade. *Quicquid alicubi adjicitur alibi detrahitur* is not true in this region. Professor Dietzel adduces numerous instances in which, contrary to first appearance and the expectation of alarmists, the “industrialisation” of foreign customers has not led to the decline in the industry of the home country. He verifies by inductive observation the reasoning of Hume’s essay on “Jealousy of Trade.” “Not only as a man, but as a British subject,” concludes Hume, “I pray for the flourishing commerce of Germany, Spain, Italy, and even France.” A like conclusion is reached by Professor Dietzel with respect to that species of trade jealousy which he takes as his subject: the exportation of factors of production is no “grave-digging” business, but a resurrection to a better, higher life for all.

F. Y. EDGEWORTH

Free Trade in Being. By RUSSELL REA, M.P. (London: Macmillan, 1908. Pp. 237.)

THIS is a collection of articles, letters, and lectures written or delivered at various times during the last five years on the subject of Free Trade and Protection. Two of the constituent pieces, together making up more than half the volume, have been already noticed in the *ECONOMIC JOURNAL*: *Insular Free Trade* in the number of last September, and in the present number *A Review of British Trade*, included in the report of the International Free Trade Congress. Among the remaining contributions, the Cobden Club lecture on *Shipping and Free Trade* (1905) deserves special notice. Mr. Russell Rea has here shown that:

“the mercantile navy of Great Britain alone, excluding the Colonies, shows a considerable preponderance over that of the rest of the world, if not in total tonnage, yet in value and in effective carrying power.”

One mark of preponderant efficiency is the greater proportion of steamers—“almost in the proportion of three of steam to two of