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Constructive Imperialism

Viscount Milner

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TARIFF REFORM ToC

Tunbridge Wells, October 24, 1907

As this is a Tariff Reform meeting pure and simple, I am anxious not to approach the subject in any party spirit or in any spirit of acrimonious controversy. The question is a difficult and complicated one, and though I am a strong Tariff Reformer myself I hope I am not incapable of seeing both sides of the case. I certainly should have reason to be ashamed if I could not be fair to those whom, for the sake of brevity and convenience, I will call Free Traders, though I do not altogether admit the correctness of that designation. My views were once the same as theirs, and though I long ago felt constrained to modify them, and had become a Tariff Reformer some years before the subject attained its present prominence in public discussion, it would ill become me to treat as foolish arguments which I once found so convincing or to vilify opinions which I once honestly shared.

What has happened to me is what I expect has happened to a good many people. I still admire the great Free Trade writers, the force of their intellect, the lucidity of their arguments. There can be no clearer proof of the spell which they exercised over the minds of their countrymen than the fact that so many leading public men on both sides of politics remain their disciples to this very day. But for my own part I have been unable to resist the evidence of facts which shows me clearly that in the actual world of trade and industry things do not work out even approximately as they ought to work out if the Free Trade theory were the counsel of perfection which I once thought it. And that has led me to question the theory itself, and so questioned it now seems to me far from a correct statement of the truth, even from the point of view of abstract inquiry. But I am not here to engage in abstract arguments. What I want to do is to look at the question from a strictly practical point of view, but at the same time a very broad one. I am anxious to bring home to you the place of Tariff Reform in a sound national policy, for, indeed, it

seems to me very difficult to construct such a policy without a complete revision of our fiscal arrangements. Now a sound national policy has two aspects. There are two great objects of practical patriotism, two heads under which you may sum it up, much as the Church Catechism sums up practical religion, under the heads of "duty to God" and "duty to your neighbour." These objects are the strength of the Empire, and the health, the well-being, the contentedness of the mass of the people, resting as they always must on steady, properly organised, and fairly remunerated labour. Remember always, these two things are one; they are inseparable. There can be no adequate prosperity for the forty or fifty million people in these islands without the Empire and all that it provides; there can be no enduring Empire without a healthy, thriving, manly people at the centre. Stunted, overcrowded town populations, irregular employment, sweated industries, these things are as detestable to true Imperialism as they are to philanthropy, and they are detestable to the Tariff Reformer. His aim is to improve the condition of the people at home, and to improve it concurrently with strengthening the foundations of the Empire. Mind you, I do not say that Tariff Reform alone is going to do all this. I make no such preposterous claim for it. What I do say is that it fits in better alike with a policy of social reform at home and with a policy directed to the consolidation of the Empire than our existing fiscal system does.

Now, what is the essential difference between Tariff Reformers and the advocates of the present system? I must dwell on this even at the risk of appearing tiresome, because there is so much misunderstanding on the subject. In the eyes of the advocates of the present system, the statesman, or at any rate the British statesman, when he approaches fiscal policy, is confronted with the choice of Hercules. He is placed, like the rider in the old legend, between the black and the white horseman. On the one hand is an angel of light called Free Trade; on the other a limb of Satan called Protection. The one is entirely and always right; the other is entirely and always wrong. All fiscal wisdom is summed up in clinging desperately to the one and eschewing like sin anything that has the slightest flavour of the other. Now, that view has certainly the merit of simplicity, and simplicity is a very great thing; but, if we look at history, it does not seem quite to bear out this simple view. This country be-

came one of the greatest and wealthiest in the world under a system of rigid Protection. It has enjoyed great, though by no means unbroken, prosperity under Free Trade. Side by side with that system of ours other countries have prospered even more under quite different systems. These facts alone are sufficient to justify the critical spirit, which is the spirit of the Tariff Reformer. He does not believe in any absolute right or wrong in such a matter as the imposition of duties upon imports. Such duties cannot, he thinks, be judged by one single test, namely, whether they do or do not favour the home producer, and be condemned out of hand if they do favour him.

The Tariff Reformer rejects this single cast-iron principle. He refuses to bow down before it, regardless of changing circumstances, regardless of the policy of other countries and of that of the other Dominions of the Crown. He wants a free hand in dealing with imports, the power to adapt the fiscal policy of this country to the varying conditions of trade and to the situation created at any given time by the fiscal action of others. He has no superstitious objection to using duties either to increase employment at home or to secure markets abroad. But on the other hand he does not go blindly for duties upon foreign imports as so-called Free Traders go blindly against them, except in the case of articles not produced in this country, some of which the Free Traders are obliged to tax preposterously. Tariff Reform is not one-ideaed, rigid, inelastic, as our existing system is. Many people are afraid of it, because they think Tariff Reformers want to put duties on foreign goods for the fun of the thing, merely for the sake of making them dearer. Certainly Tariff Reformers do not think that cheapness is everything. Certainly they hold that the blind worship of immediate cheapness may cost the nation dear in the long run. But, unless cheapness is due to some mischievous cause, they are just as anxious that we should buy cheaply as the most ardent Cobdenite, and especially that we should buy cheaply what we cannot produce ourselves. Talking of cheapness, however, I must make a confession which I hope will not be misunderstood by ladies present who are fond of shopping—I wish we could get out of the way of discussing national economics so much from the shopping point of view. Surely what matters, from the point of view of the general well-being, is the productive capacity of the people, and the actual amount of their production of

articles of necessity, use, or beauty. Everything we consume might be cheaper, and yet if the total amount of things which were ours to consume was less we should be not richer but poorer. It is, I think, one of the first duties of Tariff Reformers to keep people's eyes fixed upon this vital point—the amount of our national production. It is that which constitutes the real income of the nation, on which wages and profits alike depend.

And that brings me to another point. Production in this country is dependent on importation, more dependent than in most countries. We are not self-supplying. We must import from outside these islands vast quantities of raw materials and of the necessaries of life. That, at least, is common ground between the Free Trader and the Tariff Reformer. But the lessons they draw from the fact are somewhat different. The Free Trader is only anxious that we should buy all these necessary imports as cheaply as possible. The Tariff Reformer is also anxious that we should buy them cheaply, but he is even more anxious to know how we are going to pay for all this vast quantity of things which we are bound to import. And that leads him to two conclusions. The first is that, seeing how much we are obliged to buy from abroad in any case, he looks rather askance at our increasing our indebtedness by buying things which we could quite easily produce at home, especially with so many unemployed and half-employed people. The other, and this is even a more pressing solicitude to him, is that it is of vital importance to us to look after our external markets, to make sure that we shall always have customers, and good customers, to buy our goods, and so to enable us to pay for our indispensable imports. The Free Trader does not share this solicitude. He has got a comfortable theory that if you only look after your imports your exports will look after themselves. Will they? The Tariff Reformer does not agree with that at all. Imports no doubt are paid for by exports, but it does not in the least follow that by increasing your dependence on others you will necessarily increase their dependence on you. It would be much truer to say: "Look after the exports and the imports will look after themselves." The more you sell the more you will be able to buy, but it does not in the least follow that the more you buy the more you will be able to sell. What business man would go on the principle of buying as much as possible and say: "Oh, that is all

right. I am sure to be able to sell enough to pay for it." The first thought of a wise business man is for his markets, and you as a great trading nation are bound to think of your markets, not only your markets of to-day but of to-morrow and the day after to-morrow.

The Free Trade theory was the birth of a time when our imports were practically all supplemental to our exports, all indispensable to us, and when, on the other hand, the whole of the world was in need of our goods, far beyond our power of supplying it. Since then the situation has wholly altered. At this actual moment, it is true, there is temporarily a state of things which in one respect reproduces the situation of fifty years ago. There is for the moment an almost unlimited demand for some of our goods abroad. But that is not the normal situation. The normal situation is that there is an increasing invasion of our markets by goods from abroad which we used to produce ourselves, and an increasing tendency to exclude our goods from foreign markets. The Tariff Reform movement is the inevitable result of these altered circumstances. There is nothing artificial about it. It is not, as some people think, the work of a single man, however much it may owe to his genius and his courage, however much it may suffer, with other good causes, through his enforced retirement from the field. It is not an eccentric idea of Mr. Chamberlain's. Sooner or later it was bound to come in any case. It is the common sense and experience of the people waking up to the altered state of affairs, beginning to shake itself free from a theory which no longer fits the facts. It is a movement of emancipation, a twofold struggle for freedom—in the sphere of economic theory, for freedom of thought, in the sphere of fiscal policy, for freedom of action.

And that freedom of action is needed quickly. It is needed now. I am not doubtful of the ultimate triumph of Tariff Reform. Sooner or later, I believe, it is sure to achieve general recognition. What distresses me is the thought of the opportunities we are losing in the meantime. This year has been marked, disastrously marked, in our annals by the emphatic and deliberate rejection on the part of our Government of the great principle of Preferential Trade within the Empire. All the other self-governing States are in favour of it. The United Kingdom alone blocks the way. What does that mean? What

is it that we risk losing as long as we refuse to accept the principle of Preferential Trade, and will certainly lose in the long run if we persist in that refusal? It is a position of permanent and assured advantage in some of the greatest and most growing markets in the world. Preference to British goods in the British dominions beyond the sea would be a constant and potent influence tending to induce the people of those countries to buy what they require to buy outside their own borders from us rather than from our rivals. It means beyond all doubt and question so much more work for British hands. And the people of those countries are anxious that British hands should get it. They have, if I may so express myself, a family feeling, which makes them wish to keep the business within the family. But business is business. They are willing to give us the first chance. But if we will give nothing in return, if we tell them to mind their own business and not to bother us with offers of mutual concessions, it is only a question of time, and the same chance will be given to others, who will not refuse to avail themselves of it.

You see the beginning of the process already in such an event as the newly-concluded commercial treaty between Canada and France. If we choose, it is still possible for us not only to secure the preference we have in Colonial markets, but to increase it. But if we do nothing, commercial arrangements with other nations who are more far-sighted will gradually whittle that preference away. To my mind the action of Canada in the matter of that treaty, perfectly legitimate and natural though it be, is much more ominous and full of warning to us than the new Australian Tariff, about which such an unjustifiable outcry has been made. Rates of duty can be lowered as easily as they can be raised, but the principle of preference once abandoned would be very difficult to revive. I am sorry that the Australians have found it necessary in their own interests to raise their duties, but I would rather see any of the British Dominions raise its duties and still give a preference to British goods than lower its duties and take away that preference. Whatever duties may be imposed by Canada, Australia, or the other British Dominions, they will still remain great importers, and with the vast expansion in front of them their imports are bound to increase. They will still be excellent customers, and the point is that they should be our customers.

In the case of Australia the actual extent of the preference accorded to British goods under the new tariff is not, as has been represented, of small value to us. It is of considerable value. But what is of far more importance is the fact that Australia continues to adhere to the principle of Preference. Moreover, Australia, following the example of Canada, has established an extensive free list for the benefit of this country. Let nobody say after this that Australia shows no family feeling. I for one am grateful to Australia, and I am grateful to that great Australian statesman, Mr. Deakin, for the way in which, in the teeth of discouragement from us, he has still persisted in making the principle of preferential trade within the Empire an essential feature of the Australian Tariff.

Preference is vital to the future growth of British trade, but it is not only trade which is affected by it. The idea which lies at the root of it is that the scattered communities, which all own allegiance to the British Crown, should regard and treat one another not as strangers but as kinsmen, that, while each thinks first of its own interests, it should think next of the interests of the family, and of the rest of the world only after the family. That idea is the very corner-stone of Imperial unity. To my mind any weakening of that idea, any practical departure from it, would be an incalculable loss to all of us. I should regard a readjustment of our own Customs duties with the object of maintaining that idea, even if such readjustment were of some immediate expense to ourselves, as I hope to show you that it would not be, as a most trifling and inconsiderable price to pay for a prize of infinite value. I am the last man to contend that preferential trade alone is a sufficient bond of Empire. But I do contend that the maintenance or creation of other bonds becomes very difficult, if in the vitally important sphere of commerce we are to make no distinction between our fellow-citizens across the seas and foreigners. Closer trade relations involve closer relations in all other respects. An advantage, even a slight advantage, to Colonial imports in the great British market would tend to the development of the Colonies as compared with the foreign nations who compete with them. But the development of the British communities across the seas is of more value to us than an equivalent development of foreign countries. It is of more value to our trade, for, if there is one thing absolutely indisputable, it is that these communi-

ties buy ever so much more of us per head than foreign nations do. But it is not only a question of trade; it is a question of the future of our people. By encouraging the development of the British Dominions beyond the seas we direct emigration to them in preference to foreign lands. We keep our people under the flag instead of scattering them all over the world. We multiply not merely our best customers but our fellow citizens, our only sure and constant friends.

And now is there nothing we can do to help forward this great object? Is it really the case, as the Free Traders contend, that in order to meet the advances of the other British States and to give, as the saying is, Preference for Preference, we should be obliged to make excessive sacrifices, and to place intolerable burdens on the people of this country? I believe that this is an absolute delusion. I believe that, if only we could shake off the fetters of a narrow and pedantic theory, and freely reshape our own system of import duties on principles of obvious common sense, we should be able at one and the same time to promote trade within the Empire, to strengthen our hands in commercial negotiations with foreign countries, and to render tardy justice to our home industries.

The Free Trader goes on the principle of placing duties on a very few articles only, articles, generally, of universal consumption, and of making those duties very high ones. Moreover, with the exception of alcohol, these articles are all things which we cannot produce ourselves. I do not say that the system has not some merits. It is easy to work, and the cost of collection is moderate. But it has also great defects. The system is inelastic, for the duties being so few and so heavy it is difficult to raise them in case of emergency without checking consumption. Moreover, the burden of the duties falls entirely on the people of this country, for the foreign importer, except in the case of alcoholic liquors, has no home producer to compete with, and so he simply adds the whole of the duty to the price of the article. Last, but not least, the burden is inequitably distributed. It would be infinitely fairer, as between different classes of consumers, to put a moderate duty on a large number of articles than to put an enormous duty on two or three. But from that fairer and more reasonable system we are at present debarred by our pedantic adherence to the rule that no duty may be put on imported articles unless an equivalent duty is put on articles of the same kind pro-

duced at home. Why, you may well ask, should we be bound by any such rule? I will tell you. It is because, unless we imposed such an equivalent duty, we should be favouring the British producer, and because under our present system every other consideration has got to give way to this supreme law, the "categorical imperative" of the Free Trader, that we must not do anything which could by any possibility in the remotest degree benefit the British producer in his competition with the foreigner in our home market. It is from the obsession of this doctrine that the Tariff Reformer wishes to liberate our fiscal policy. He approaches this question free from any doctrinal prepossessions whatever. Granted that a certain number of millions have to be raised by Customs duties, he sees before him some five to six hundred millions of foreign imports on which to raise them, and so his first and very natural reflection is, that by distributing duties pretty equally over this vast mass of imported commodities he could raise a very large revenue without greatly enhancing the price of anything. Our present system throws away, so to speak, the advantage of our vast and varied importation by electing to place the burden of duties entirely on very few articles. As against this system the Tariff Reformer favours the principle of a widespread tariff, of making all foreign imports pay, but pay moderately, and he holds that it is no more than justice to the British producer that all articles brought to the British market should contribute to the cost of keeping it up. It is no answer to say that it is the British consumer who would pay the duty, for even if this were invariably true, which it is not, it leaves unaffected the question of fair play between the British producer and the foreign producer. The price of the home-made article is enhanced by the taxes which fall upon the home makers, and which are largely devoted to keeping up our great open market, but the price of the foreign article is not so enhanced, though it has the full benefit of the open market all the same. Moreover, the price of the home-made article is also enhanced by the many restrictions which we place, and rightly place, on home manufacture in the interests of the workers—restrictions as to hours, methods of working, sanitary conditions, and so forth—all excellent, all laudable, but expensive, and from which the foreign maker is often absolutely, and always comparatively, free. The Tariff Reformer is all for the open market, but he is for fair play as between those who compete in it, and he holds that even cheapness

ought not to be sought at the expense of unfairness to the British producer.

I say, then, that the Tariff Reformer starts with the idea of a moderate all-round tariff. But he is not going to ride his principle to death. He is essentially practical. There are some existing duties, like those on alcoholic liquors, the high rate of which is justified for other than fiscal reasons. He sees no reason to lower these duties. On the other hand, there are some articles, such as raw cotton, which compete with no British produce, and even a slight enhancement of the price of which might materially injure our export trade. The Tariff Reformer would place these on a free list, for he feels that, however strong may be the argument for moderate all-round duties as a guiding rule, it is necessary to admit exceptions even to the best of rules, and it is part of his creed that we are bound to study the actual effect of particular duties both upon ourselves and upon others. No doubt that means hard work, an intimate acquaintance with the details of our industry and trade, an eye upon the proceedings of foreign countries. A modern tariff, if it is to be really suitable to the requirements of the nation adopting it, must be the work of experts. But is that any argument against it? Are we less competent to make a thorough study of these questions than other people, as for instance the Germans, or are we too lazy? Free Traders make fun of a scientific tariff, but why should science be excluded from the domain of fiscal policy, especially when the necessity of it is so vigorously and so justly impressed upon us in every other field? It is not only the War Office which has got to get rid of antiquated prejudices and to open its eyes to what is going on in the world. Our financial departments might reasonably be asked to do the same, and they are quite equally capable, and I have no doubt equally willing, to respond to such an appeal, instead of leaving the most thorough, the most comprehensive, and the most valuable inquiry into the effects of import duties, which has ever been made in this country, to a private agency like the Tariff Commission.

I do not think it is necessary for me to point out how a wide-spread tariff, besides those other advantages which I have indicated, would strengthen our hands in commercial policy. In the first place, it would at once enable us to meet the advances of the other States of the Empire, and to make the British Empire in its commer-

cial aspect a permanent reality. To do this it would not be necessary, nor do I think it would be right, to exempt goods from the British Dominions entirely from the duties to which similar goods coming from foreign lands are subject. Our purpose would be equally well served by doing what the Colonies do, and having two scales of duty, a lower one for the products of all British States and Dependencies, a higher one for those of the outside world. The amount of this preference would be a matter of bargain to be settled by some future Imperial Conference, not foredoomed to failure, and preceded by careful preliminary investigation and negotiations. It might be twenty-five, or thirty-three, or even fifty per cent. And whatever it was, I think we should reserve the right also to give a preference, but never of the same amount, to any foreign country which was willing to give us some substantial equivalent. It need not be a general preference; it might be the removal or reduction of some particular duties. I may say I do not myself like the idea of engaging in tariff wars. I do not believe in prohibitive or penal tariffs. But I do believe in having something to give to those who treat us well, something to withhold from those who treat us badly. At present, as you are well aware, Great Britain is the one great nation which is treated with absolute disregard by foreign countries in framing their tariffs. They know that however badly they treat us they have nothing to lose by it, and so we go to the wall on every occasion.

And now, though there is a great deal more to be said, I feel I must not trespass much further on your patience. But there is one objection to Tariff Reform which is constantly made, and which is at once so untrue and so damaging, that before sitting down I should like to say a few words about it. We are told that this is an attempt to transfer the burden of a part of our taxation from the shoulders of the rich to those of the poor. If that were true, it would be fatal to Tariff Reform, and I for one would have nothing to do with it. But it is not true. There is no proposal to reduce and I believe there is no possibility of reducing, the burden which at present falls on the shoulders of the upper and middle classes in the shape of direct taxation. On the other hand, I do not believe there is much room for increasing it—though I think it can be increased in one or two directions—without consequences which the poorer classes would be the first to feel. Excise duties, which are mainly paid by those classes,

are already about as high as they can be. It follows that for any increase of revenue, beyond the ordinary growth arising from increase of wealth and population, you must look, at least to a great extent, to Customs duties. And the tendency of the time is towards increased expenditure, all of it, mind you—and I do not complain of the fact—due to the effort to improve the condition of the mass of the people. It is thus no question of shifting existing burdens, it is a question of distributing the burden of new expenditure of which the mass of the people will derive the benefit. And if that new expenditure must, as I think I have shown, be met, at least in large part, by Customs duties, which method of raising these duties is more in the interest of the poorer classes—our present system, which enhances enormously the price of a few articles of universal consumption like tea and sugar and tobacco, or a tariff spread over a much greater number of articles at a much lower rate? Beyond all doubt or question the mass of the people would be better off under the latter system. Even assuming—as I will for the sake of argument, though I do not admit it—that the British consumer pays the whole of the duty on imported foreign goods competing with British goods, is it not evident that the poorer classes of the community would pay a smaller proportion of Customs duties under a tariff which included a great number of foreign manufactured articles, at present entirely free, and largely the luxuries of the rich, than they do, when Customs duties are restricted to a few articles of universal consumption?

And that is at the same time the answer to the misleading, and often dishonest, outcry about "taxing the food of the people," about the big loaf and little loaf, and all the rest of it. The construction of a sensible all-round tariff presents many difficulties, but there is one difficulty which it does not present, and that is the difficulty of so adjusting your duties that the total proportion of them falling upon the wage-earning classes shall not be increased. I for one regard such an adjustment as a postulate in any scheme of Tariff Reform. And just one other argument—and I recommend it especially to those working-class leaders who are so vehement in their denunciation of Tariff Reform. Is it of no importance to the people whom they especially claim to represent that our fiscal policy should lean so heavily in favour of the foreign and against the British producer?

If they regard that as a matter of indifference, I think they will come to find in time that the mass of the working classes do not agree with them. But be that as it may, it is certain that I, for one, do not advocate Tariff Reform in the interests of the rich, but in the interests of the whole nation, and therefore necessarily of the working classes, who are the majority of the nation.

A CONSTRUCTIVE POLICY TO C

Guildford, October 29, 1907

I am very sensible of the honour of being called on to reply for the Unionist cause, but I approach the task with some diffidence, not to say trepidation. I feel very conscious that I am not a very good specimen of a party man. It is not that I do not hold strong opinions on many public questions—in fact, that is the very trouble. My opinions are too strong to fit well into any recognised programme. I suffer from an inveterate habit, which is partly congenital, but which has been developed by years spent in the service of the Crown, of looking at public questions from other than party points of view. And I am too old to unlearn it.

For a man so constituted there is evidently only a limited rôle in political life. But he may have his uses all the same, if you take him for what he is, and not for what he is not, and does not pretend to be. If he does not speak with the weight and authority of a party leader, he is at least free from the embarrassments by which a party leader is beset, and unhampered by the caution which a party leader is bound to exercise. He commits nobody but himself, and therefore he can afford to speak with a bluntness which is denied to those whose utterances commit many thousands of other people. And I am not sure whether the present moment is not one at which the unconventional treatment of public questions may not be specially useful, so, whether it be as an independent Unionist or as a friendly outsider—in whichever light you like to regard me—I venture to contribute my mite to the discussion.

Having now made my position clear, I will at once plunge *in medias res* with a few artless observations. You hear all this grumbling which is going on just now against the Unionist leader. Well, gentlemen, a party which is in low water always does grumble at its leader. I have known this sort of thing happen over and over again in my own lifetime. And the consequence is, it is all like water on a duck's back to me; it makes no impression on me whatsoever. I