

also an expert instrument-washer would still gain by sticking to his greater speciality and hiring somebody to wash his instruments for him, even though the assistant might be slower than the surgeon himself. Similarly, a lawyer who was also an expert typist might gain by sticking to legal work and leaving the typing even to a typist slower than himself.

One point remains to be cleared up. Practical businessmen don't know or care anything about Comparative Advantage and don't need to: they want to buy where *money prices* are lowest and sell where *money prices* are highest. How, then, can Inferia, with its generally inefficient production, hope to attract any foreign customers and so take part in international trade? The answer lies in a generally low level of wages and other incomes ("low," that is, as translated through prevailing currency exchange rates and compared with wage levels in more efficient countries). Low wage levels—the famous "cheap labour"—permit Inferia's businessmen to price their goods low enough so that the goods in which their country has the least disadvantage can actually find foreign markets. Low wages are an inevitable result of Inferia's inefficient and disadvantaged production; but they are also what enables Inferia to export the products in which it has the least disadvantage and so earn the foreign exchange needed to import the products in which it has the greatest disadvantage. Low wages permit Inferia to share the benefits of international trade and so to have less poverty than otherwise.

As we have already seen, Superia also gains from international trade, even when trading with an inefficient, "cheap-labour" country. If Superia's government shut out imports because they were made by "cheap labour," it would harm its own people as well as the Inferians. It would be equally foolish for Superia to restrict trade because Inferia had an "unfairly depreciated currency." The difference in wage levels between Superia and Inferia—wages being translated through the exchange rate into a common currency—is necessary to allow the product price relationships that lead profit-seeking businessmen to import and export and so secure for the people of all countries involved the benefits explained by the Principle of Comparative Advantage. Superia's government would also be foolish to take a shrinkage of particular home industries as evidence of need for tariff Protection. As our numerical example showed, such a shift of labour and resources out of the industries in which Superia has the least superior advantage is an essential part of the process of benefiting from international specialization and trade.

BOOK REVIEW

The new book *Free Trade: America's Opportunity*, by Leland B. Yeager, is very welcome. Although, as is to be expected, its orientation is American (very early on it calls upon American businessmen to make U.S.A. Free Trade's pioneer exemplar to the world!), its appeal soon broadens, and the author's call for clear thinking and courageous action will surely be answered by all who believe "there is no more ultimate limit to the extent of markets than there is to human wants," and that all communities have the right to employ their productive energies to the maximum advantage of all people.

In less than 100 pages, this lively and important work sets out the arguments for and against both Free Trade and Protectionism, explains the principles of comparative advantage and specialization and, by brilliant use of image

and apt quotation, reveals how tariffs, subsidies, quotas and customs regulations serve sectional interests at the expense of the people generally—"expedients for dealing with local sores while ignoring the general health of the body politic," and how these "negative railways" block and impede national and world trade.

Here is a reasoned examination of the vexed question of sweated labour, low costs and dumping, and here are exposed the false assumptions of the "practical business man" based on incomplete knowledge and muddled thinking; the wilful ignoring of what history has taught us of the changes wrought by improved technology and a people's natural capacity for adaptability. The author explodes the fallacies contained in those pleas for special consideration which lead to lobbying and political corruption, and does not spare the lunatic fringe of "practical men" who can claim gloves, pens and peanuts as strategic materials, and the army of customs officials like those who delayed a shipment of coats while wondering whether to charge duty according to the wool or the buttons, and treacle tarts (molasses pie in U.S.A.) because an inspector said there was no such thing as treacle in the regulations.

We are asked to consider what it would mean to world peace if these manufactured difficulties for restricting trade were swept away and, by "wise economic co-ordination," the nations became "one financial and trading community."

A practical summing-up tells of efforts already made to reduce tariffs by trade agreements (incidentally casting a significant light on the precarious position of the balance of trade in U.S.A.), and outlines a course of thought and action for nations and individuals who would restore Free Trade and do away with the present "misuse of business ability and political machinery."

E. W. PILCHER.

TWO KINDS OF "PROTECTION"

Dry footwear and warm gloves, so necessary to the maintenance of health and bodily comfort in a northerly country, may well be regarded as a combined form of insurance and health service, the essential equipment of every prudent person. But for many working people on low wages and with large families to feed and clothe, and for old folk living on fixed incomes savagely diminished by inflation, the cost of British footwear and knitwear is beyond their means. If it were not for Hong Kong sending such goods cheaply they would have to go without or would have to deprive themselves of some other item. In a very real sense, that far away colony is providing a "welfare service" much appreciated in many British homes as well as maintaining its own economy by such trade.

Protectionists regard such imports as a dangerous threat to British industry.

Questions asked, June 17, by MAJ. N. MACPHERSON (Cons., Dumfries) were typical of many repeatedly directed to the President of the Board of Trade. Was the Minister aware of the concern felt at the rapid increase in the volume of imports of rubber footwear? Would he investigate with the Hong Kong government whether the competition at present was entirely fair? If it was not, would he go further into the matter to see whether action could be taken along the lines taken before the war? Was the Minister aware of the concern that was felt by both the employers' and the employees' organizations at the volume of knitwear imports from Hong Kong? Was he aware that goods were being offered at prices which scarcely covered the cost of the raw materials contained in them?

The Minister of State, Board of Trade, replied that he had no evidence of "sweated conditions" in Hong Kong. To impose quotas or duties on imports from that or any other colony would be contrary to the policy of H.M. Government.