P. 300. para. 4.

This is an interesting point. There are 2 problems. ① Will the volume of goods exported to finance foreign investments be greater? ② Will the volume of goods imported to finance the interest on those investments be greater. ① Suppose a 40% general tariff of imports causes a 20% general rise in prices. The price which the foreigner pays for exported goods may rise from anything from 0 to 40%. The volume of goods exported will only be greater if this rise is less than 20%. We suppose ~~that~~ of course that the residents in the tariff country invest 20% more of their own money abroad. They will probably invest less owing to a shortage of suitable fields. Then the volume of ~~exported~~ goods to finance the investments will probably fall, and pro tanto protection tends to diminish employment in the protected country. ② It is true that investors by investing the same proportion of their income abroad will find that they can buy 20% more of capital goods abroad, and this will yield a 20% higher income abroad = the same income at home. But the price

P.T.O.

which the foreigner gets for imports into the protected country will have fallen from between 0 to 40%. Therefore in order to pay the necessary interest (or profits) he will need to send into the protected country from 0 to 20% more goods. Since ~~the diminution in the of the protected country's foreign~~ This is if the protected country purchases 20% more capital goods abroad. Since at the worst it will purchase as much as before the tariff, the net effect will probably be that more imports are needed to finance the interest on investments.