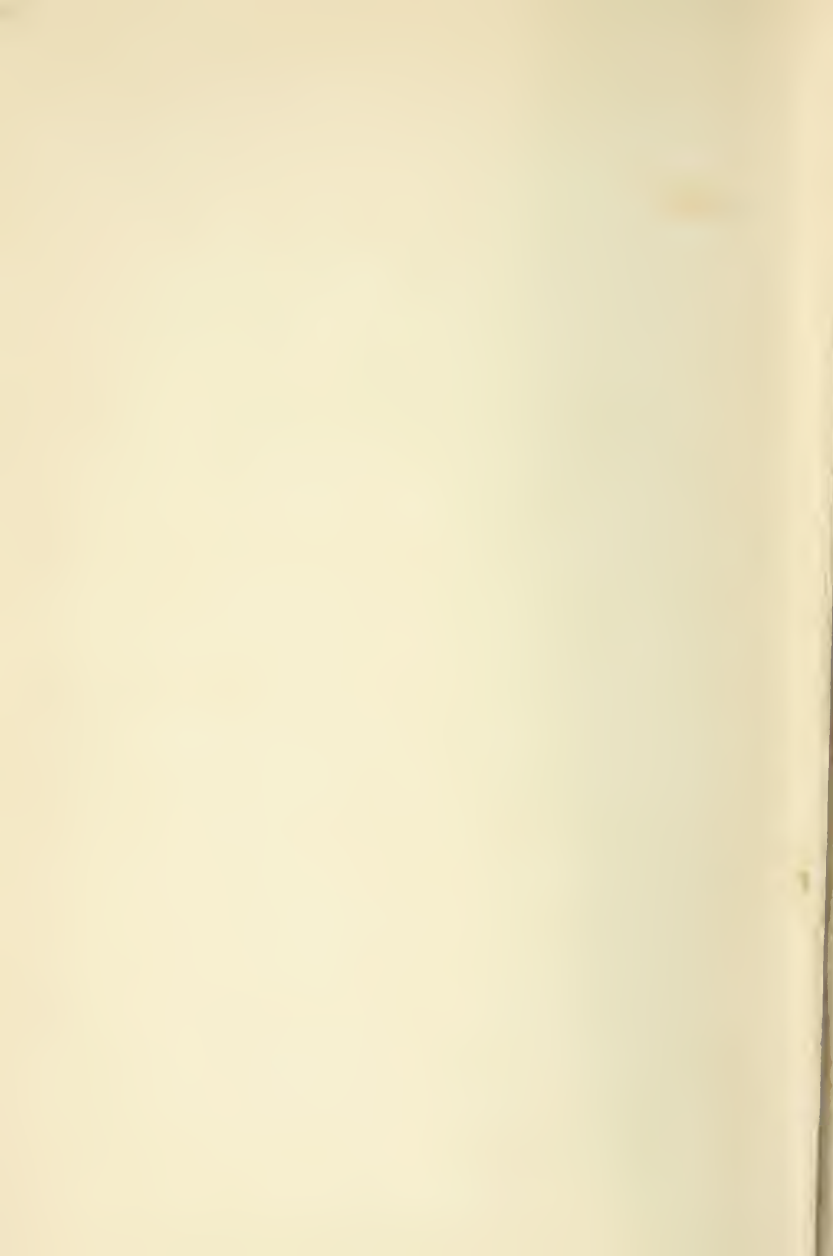






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A SHORT LIFE  
OF  
RICHARD COBDEN.

BY  
FRANCES E. COOKE.



LONDON: 28, VICTORIA STREET, S.W.

May, 1904.



RICHARD COBDEN.





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## RICHARD COBDEN.

### CHAPTER I.

#### HARD TIMES.

A HUNDRED years ago the state of England puzzled the wisest. The cornfields of America and the Continent were cut off by the war; every loaf of bread was dear, because English farmers could ask and get high prices for their grain. Taxes were heavy. The great wealthy landowners who sat in Parliament talked of the prosperity of England, while another cry rose from the toiling multitudes. Among the country people of the Sussex Weald, where farmers had been making money by their crops, hard times began to be known. Labourers did not share in their masters' profits, and had to pay dearly for food. When harvests were bad, few labourers were needed in the fields. Beggars made their way from northern towns with sad tales of want, and people began to long for peace with France, and for news of ships laden with food once more coming into our ports from countries far away.

An old farmhouse named Dunford was well known among the homesteads near Midhurst. It had been in the possession of one family for generations, and, at the time this story begins, the owner was a farmer named Richard Cobden. He was a maltster as well as a farmer, and, moreover, had long been bailiff of Midhurst. There he collected rents and summoned juries, and was well known and respected by all his neighbours. Not only did the bailiff himself live there; his married son William and his son's wife, with their little children, found a home with him;

and the old man's heart was gladdened by the merry voices of the little ones.

On June 3rd, 1804, another grandchild was born, who was called Richard after his grandfather. The little fellow spent the early years of his childhood safely and happily in the snug house where his ancestors had lived so long, but when the child was five years old great trouble came to the hitherto peaceful home. Old Richard Cobden died, and the old home was sold. The bailiff had been a good man of business, but his friends shook their heads, and said the good-natured, thriftless son would never make a living for his family.

Mrs. Cobden was a brave, hard-working woman, a good wife and tender mother. She needed all the hope and courage she had to cheer the spirit of her husband, for, as time passed, the prophecies of his neighbours proved to be true; but trouble and ill-luck only bound the little family more closely together. All the children did their best to lighten the father's burdens. Little Richard Cobden, now no longer the youngest of the family, shared the troubles of his elders. He learned to read and write in the old dame's school in the village, and in his playtime used to watch his father's sheep, spending hours in this business every day, making friends, in the sunshine, of the birds and wild creatures that were his only comrades save the sheep.

Every month affairs grew more hopeless. The eldest boy, Frederick, was sent to America to try to make a living among the many emigrants whom hard times were driving away from England. Rent-day began to be dreaded, and the family moved from place to place.

Now, Mrs. Cobden had a sister in London, whose husband was in business in Eastcheap. The bad news of their relatives' ill-fortune reached Mr. and Mrs. Partridge from Sussex, and it was agreed that they should adopt the little shepherd-boy, Richard, who was forthwith sent off to a cheap school in Yorkshire. Ill-taught, ill-fed, ill-used, the next five years passed very slowly with him there.

Meanwhile, startling events took place in England.

In 1815, the Battle of Waterloo ended the war with France. Then, for the first time for many years, the English were at peace with all the world. Foreign ships might enter all ports again, bringing rich freights of corn to make cheap loaves for the hungry multitudes. But the farmers of the Weald and other country places told a different tale. If foreign wheat could be bought cheaply in England, they could no longer get high prices for that which they had grown in their own fields, as they had been able to do in times of scarcity ; and they raised loud complaints.

Now, in Parliament at that time sat great land-owners, who listened to the farmers' cries, and the famous Corn Law was passed, "to protect home-grown corn." From that time a heavy duty was laid on all wheat imported from abroad, and the result was that the supply soon ceased. It was a selfish and short-sighted law, and a great and bitter cry rose against those war-and-famine prices in time of peace.

"Is this a time for patience?" said the hopeless people. Bands of respectable men, bearing banners with the words "Blood or Bread" upon them, marched through the city streets vowing vengeance. In country places the night skies were red with the glow from farms and hayricks set on fire by bands of wandering desperate people.

In some parts the Riot Act was read. One day near Manchester sixty thousand persons had marched to their meeting-place in perfect order, listened to speeches beneath the hot summer sun, and would have gone home peacefully at night. But, suddenly, the magistrates in alarm sent for soldiers, and the helpless people who could not escape in time were cut down by their swords, or trodden under their horses' feet.

No wonder that history tells of the "Massacre of Peterloo," and that the field near Manchester gained a dreadful fame.

In the midst of those days, Richard Cobden went into his uncle's warehouse in Eastcheap, London, and began his work in the world.

## CHAPTER II.

## BEGINNING THE WORLD.

To Richard Cobden, leaving in 1819 the school where his life had been so wretched, the way was bright with hope. A new life was before him. Deep down within the boy lay a nature that his wasted, ill-fed life had not crushed. There lay a strong love for the little country home where life was so hard. There, too, lay a great energy and a wish to make the best of things and to use well the small chances that came in his way.

When the light of the rising sun made its way through the dirt and smoke of the city roof and chimneys into the little garret where he slept, Richard also rose. Then, before the rest of the household were astir, he spent the early morning hours in learning French, and in reading books that he borrowed from a free library. But Mr. Partridge thought that a love for reading was the worst fancy a man in trade could have, so he did all he could from that time to hinder it in Richard. The boy soon found that he was watched, and his chances to read became fewer. Still, through all difficulties, he worked faithfully, and went on gaining all the knowledge he could.

By-and-by he began to earn a little money. All he spent was entered in a small leather-covered pocket-book, which, dog-eared and worn, was very dear to him in after years. They were all small sums he had to spend; but this boy, through whose hands so much wealth flowed in later years, began life with exactness in little things, and scorned no trifle. So, in the leathern pocket-book there were entries of little gifts to his father and brothers, of odd pence given to boys poorer than himself, or of small purchases of second-hand books.

Once in a long while Richard had a holiday. It was joyfully spent in the shabby little home at Westmeon, where the family now lived. In those days there was a roadside inn some miles south of London, and here a shabby, downcast old man came on summer Sundays to meet a dusty, happy-looking

youth from London, and spend the day with him on the Surrey heath. These two holiday-makers were old William Cobden and his son. The poor farmer had begun to trust to Richard, and to fancy that some day the broken fortunes of the family might be restored by him. Richard only knew that the holiday cheered his father, and he himself had no greater pleasure than this weekly meeting, with the news it gave him from home.

In course of time Mr. Partridge began to find that a love for books did *not* spoil the young clerk whom he had taken out of charity. Richard Cobden began to be worth a great deal to Messrs. Partridge & Rice (his uncle's firm), and his salary was raised. Now he had some good news to send to his country home, and it is not easy to say how the remembrance of her good, hard-working son cheered Mrs. Cobden. But suddenly typhus fever broke out in the village. She nursed a sick child, and she, too, fell ill and died.

Frederick, the eldest son, had come back from the United States almost as poor as when he went. But Richard was heartily glad of his return; and from that time the two brothers were great friends. They often talked of the future, and made plans for giving rest and comfort to their father in his old age. But in these talks the younger brother always hoped, and the elder doubted.

In the year 1825 Richard Cobden had been about six years in his uncle's warehouse, and was twenty-one years old. The two partners began to think that the energy and talent of their trusty clerk were wasted; they wanted a traveller to visit distant towns and show patterns of their goods, to take orders, and get in their accounts. So they made Richard Cobden traveller for the firm, and it was just the kind of life that suited him. He liked well to be able to talk to the strangers in the travellers' room, and to hear about the doings of men, and the wants and events of those stirring times.

Sometimes his business journeys led him to places where grand old ruins told stories of times when men had lived great lives and done great deeds; and the memory of such quiet old spots went with him on his

way through the busy world. He went to Ireland, and saw there wretched mud cabins and starving people. The great rivers with no ships upon them and the towns with no trade filled him with surprise. Above everything, Richard Cobden began to care for the interests of his fellow-men, their welfare, and their troubles. He saw so much in his travels of the woes of the land that he was ready to discuss with any one whom he met on his way the best means to bring about a better state of things.

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### CHAPTER III.

“WHERE THERE’S A WILL, THERE’S A WAY.”

Now, the English people in their little island were fast increasing in numbers; but they must live on home-grown corn, so a bad harvest brought high prices and famine to their doors. Factories and workshops had been built; yet timber and wool and cotton and silk, if brought from foreign lands, were heavily taxed, that English-grown goods might be chiefly used, so it came to pass that many factories stood idle. English working men were starving; yet there lay the wide world around our island, with multitudes of living people who had wants of many kinds, and the rulers of England forbade free trade with them.

In the year 1816 a grey-haired man named William Cobbett, a bookseller in London, had begun to turn his thoughts to the troubles of the people. He was a man who had seen much of life, and learned much from what he had seen. He made sure that the sufferings of the people arose from misrule, and that to give them a voice in Parliament was the only cure possible. So he published a cheap paper, called the *Weekly Register*, which soon became widely known. William Cobbett was not altogether wise, but these words of his were of use to the English people. Working men turned to politics instead of to rioting, and spent their energies on plans to get a

vote, that they might send members to Parliament who *would* make their grievances known there.

In these matters Richard Cobden took great interest. But he never forgot, amid all he had to do and think about, the affairs of the little home at Westmeon. Suddenly, in the year 1826, the firm of Messrs. Partridge & Rice failed. In that year there were failures on all sides. Banks broke, work was stopped, and a panic spread through the country. At Westmeon the Cobdens had opened a little shop, with the hope that the villagers would give them custom; but the troubles in trade spread into that quiet little place, and it seemed as if every chance of making a living was gone.

But when Richard came back among them, with his happy way of seeing the sunshine as well as the shadows in life, their hopes rose again. Richard was at hand to consult, and ready to help them with new plans, although he had lost his own place. The kind-hearted neighbours would gladly have helped old William Cobden, but they were all too poor. The little shop could never be made to pay in Westmeon, so, no better plan offering, the Cobdens made a new home at Farnham. By the time the family were settled down Richard was called to London.

While he had been occupied with his father’s affairs, his old employers had wound up their business. One of the partners entered into trade again, and his first act was to send for Richard Cobden, and restore him to his former post of traveller. But very soon a new scheme arose in his mind—to begin business for himself, to open a new warehouse in London, and find some Manchester cotton-printers who would send him goods from their mills, and give him a commission on all sales made.

Now on some of his former journeys he had met with two youths, who were travellers like himself for a London firm. He had found in them energy, courage, and patience. He told them his plans, and at once they agreed to join him. But there were many difficulties in the way, and the three youths set forth, each by himself, in search of some one who would lend them the money they required.

Richard Cobden thought of a man whom he had called upon in London, when on his uncle's business; he went to him—this time doubtfully, however—and told his story and his need of friendly help. Five hundred pounds were gladly lent. Away went Richard, with a thankful, happy heart, to tell his comrades the good news. They had had no such good fortune. Yet they would not delay; and one morning all three youths took their places on the coach to Manchester, to make their next effort, and seek for a willing calico-printer.

Their first act when they reached the inn was to ask for a list of the chief calico-printers in the town; their second act was to draw lots to decide to whom each of them should go. It fell to Richard's lot to call on Messrs. Fort, who had calico-printing works at Clitheroe, thirty miles away from Manchester, where the great Lancashire plain rises into Pendle Hill. He lost no time in setting out on his journey. Before long, the castle of Clitheroe, on a hill-top, came in view, and in due course the doors of the great calico-printing mill opened in answer to his knock.

He told his errand to one of the owners of the mill. Mr. Fort listened to his tale, and at length he and his partners agreed to accept, as their London agents, these three young strangers, who had told all their poverty and plans. They would trust them with goods to sell, and wait for full payment.

The fact was, Mr. Fort was a quick judge of character. He cared less for money in this case than for honesty and experience and a good knowledge of the trade.

Richard was chiefly glad of his good fortune for his father's sake. At Farnham, neither the Bishop nor the hop-growers brought good fortune to the Cobdens' shop. The old man looked back on his old home with longing, and Richard rejoiced that at last there seemed to be a chance, if his new prospects only proved good, for him to work for them all, and so lessen his father's cares.

His brother Frederick was still his great friend in London, and Richard would have been better pleased it



this new opening had fallen to his elder brother's lot instead of to his own. He wrote to tell him so in these words: "I know your heart well enough to feel that there is still a large portion of it ever warmly devoted to my interests. I have not one ambitious view or hope from which you are separated. I feel Fortune, with her usual caprice, has turned her face towards the least deserving. We will correct this mistake for once. From henceforth consider yourself my associate by right in all her favours."

Then the young partners set to work. For three years goods from Manchester came up to their London warehouse for sale. Richard Cobden was glad to think that every day's work brought nearer the time when Frederick should share his fortunes and the dear home circle have a brighter lot.

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## CHAPTER IV.

### THE FACTORY AND THE SCHOOL-HOUSE.

IN 1831, before great towns and factories had blackened all Lancashire with their smoke, there lay below the great, lonely Pendle Hill a lovely valley called Ribblesdale. No railway trains rushed through the quiet dale. Travellers drove slowly through the pleasant lanes between high green hedges, sweet with elder and wild rose, or wandered through the meadows by the riverside. They forgot for the time the turmoils of the busy world as they thought of the old days whose memory still hung round Clitheroe Castle, or the ruined gates and broken walls of Whalley Abbey. Close to the abbey flowed a clear, broad stream called by the country folks the "Calder," and not far away stood the village of Sabden.

In this quiet corner of the world stood the old factory that belonged to the calico printers for whom Richard Cobden and his partners were agents in London. It happened that just when the owners of the factory were growing old the three young men wished to begin to print their own calicoes. So a compact was made, and the old Sabden Mill changed hands.

Into the midst, like the knight into the Enchanted Palace of the Sleeping Beauty, came the youth Richard Cobden, full of hope and energy. "Send me into Lancashire with nothing, and I will still make a fortune," he wrote to his brother Frederick. "All difficulties *shall* yield to energy. One has only to bring out all the powers one has with spirit. But it must all come from *within*; there is no use in trusting to outside helps."

By this time Richard had used some of his own savings to buy a timber yard at Barnet, and had placed Frederick there, hoping that he would put his heart into the trade and prosper. But Frederick knew little about the energy from within: he *did* trust to outside helps; and, when these ceased, he failed. Another change had taken place, too. The Farnham home was broken up, as that at Westmeon had been, and old William Cobden had gone to live with his eldest son at Barnet. Sad letters were all that Richard ever had from his friends. Sometimes the young man felt as if the heavy burden of their hopelessness was more than he could bear, in addition to his own anxieties. But his brave heart never gave way, and the strong will conquered all difficulties.

More and more his hopes and longings went out towards Manchester and the great towns where toiling men and women spun the cotton for his prints. He cared little for money, except so far as it helped him to help other people. Yet he had a yearning to prosper in his work, and there was no limit to his schemes and hopes. The late owners of the Sabden Mill had trusted him so far as to leave some of their own capital in the business. This was a great help to the young men. Calico printers had to pay a heavy duty on every yard of calico they printed until the year 1831, when the tax was removed. Printed calicoes could therefore be sold more cheaply, the trade increased fast, and the factory at Sabden began to be busy indeed. Before long six hundred people were at work there, and Sabden village grew into a town.

Old Pendle Hill looked down upon a changed place. Cottages sprang up on the once lonely moor. Workmen spent idle hours when the mill was shut at night.

Children played and quarrelled about the village, for there was no school in Sabden. From his heart Richard Cobden pitied those little ones, who were growing up so idle and untaught, and a new desire was added to his other hopes—to sweep clean and keep in purity and order the spot where so much of his work lay and his money was made. By-and-by a grey stone building began to rise upon the moor. Long before the roof was on, the news spread that the building was a school-house. Then Richard Cobden sent to Manchester for twenty well-trained little scholars, and the Sabden people came together eagerly to see his curious show. They could not but see how different were their own untaught little ones; and very soon the young idlers at Sabden were filling the school-house on the moor.

One of Richard Cobden's partners fell in gladly with these new schemes. The Sabden works were left in his care, and Richard went to live in Manchester; but he never lost his interest in the school, and often went over to Sabden to visit it. Sometimes he wrote to his partner to cheer him in his work. "There is no knowing how often good works may multiply," said one of his letters. "Good examples have more influence than bad ones; goodness and virtue, by the very force of example, must go on increasing, and multiply for ever. There are many well-meaning people in the world who are not so useful as they might be from not knowing how to go to work."

With this idea he went one evening to Clitheroe, and there made his first public speech, telling his hearers of the great need for schools in the quickly-spreading towns, and for fresh workers in the cause of education. So it was not all bread-winning and money-making with Richard Cobden.

It was often weary work to be all day in the great smoky town, or the huge warehouse, looking after bales of goods, or writing business letters, but when night came he might still be found busy—deep in the history of Europe, or reading some old play, or the speeches of a great English statesman dead and gone. He had only been a shepherd boy on the Sussex Weald; but withal he had had, even in early youth,

a grand ideal before him, and he *had never let it fade away.*

By this time he had become more like a father than a brother to his circle of brothers and sisters. Bad news kept coming from Barnet, where the timber business was failing. At length Frederick went to join Richard in Manchester, and Richard placed his father and the rest of the family in a quiet country home, where the old man could end his days in peace, and dream of the long life that lay behind him, in the old farmhouse at Midhurst or at Westmeon.

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## CHAPTER V.

### EARL GREY AND THE REFORM BILL.

THERE was great joy among English people when, in 1830, William IV. came to the throne. He was hailed as the "Patriot King." Men began to hope that the reforms which William Cobbett had taught them to demand would surely be brought to pass.

But weeks went, and no changes were made. Still the old Government was in power, with the Duke of Wellington at its head, and the complaints of the people turned to bitter cries. The corn law and the duties upon food, which led to high profits and rents for the great farmers and landlords, made no change in the low wages of the labourers. So at last it came to pass that starving men and women ate the weeds and nettles that grew by the wayside. They saw their little children dying around them in their wretched homes.

In France Charles X. had begun his reign with deeds that were contrary to the laws of the land, and the citizens of Paris rose up in wrath against his unjust rule. The rebellion lasted for three days. Then King Charles fled from the city, and his successor, Louis Philippe, began to reign, with a promise of justice and fair-play to the people.

Across the English Channel came the exiled king, and the tale of justice won by the citizens of Paris

was told through all England. Straightway, rough, wild leaders rose up, calling on the discontented to follow them. Mobs went about breaking machines and doing all the mischief they could, for it was said by the misled, mistaken peasants, that they had only to take affairs into their own hands to gain all that they wanted. And what did they want? The answer is soon given: That the House of Commons should *really* represent the people of England. A wise wish; but their efforts to obtain it were foolish and wrong.

Far away in the old Saxon times, when the district where Richard Cobden was born had gained its ancient name of Weald—in those old days the English Parliament first came into being. Then all the freemen of thinly-peopled England were permitted to meet in one great council to advise and help the king. But as time passed, and the people multiplied and spread to distant parts of the land, none but the rich and great cared to take long journeys to the meeting-places of the council. By the time the Normans ruled the land the Common Council of the nation had shrunk to a meeting of the greater barons and knights of the shire. So began our House of Lords; but the great mass of the people had no voice in the ruling of the State.

In 1216, Henry III. came to the throne, and the barons soon grew weary of his weak and vexing rule. Then arose Simon de Montfort, the famous Earl of Leicester; he summoned a Parliament, and called to it not only the barons and knights who formed the House of Lords, but two citizens and burgesses from every city and borough in the land. In this way began our House of Commons.

As time went on, many of the old boroughs of De Montfort's time decayed and left no trace of the once busy haunts of men but a green mound or a ruined wall. But they belonged to great landowners, who still sent members to the House of Commons in their name, gaining by this plan more influence for themselves in the State. Yet great towns which had sprung up since De Montfort's time had no right of representation, and so their busy inhabitants had no

vote in the counsels of the House. Besides these, were other evils too numerous to tell.

Manchester, where so many of Cobden's interests lay, was one of the many towns in busy Lancashire that were then unrepresented in Parliament; and to the Manchester people the grievance was very great.

In the House of Commons most of the great landowners were contented with the power they possessed, and did not see why the people of England should want any changes made.

Such was the state of affairs when, in 1764, there were great rejoicings in the old house of the Greys. A little boy was born there, who was named Charles after his father, and was heir to his father's title and his uncle's land. The child grew up within sight of the stormy waves of the North Sea, and loved to hear them breaking, with a roar like thunder, on the cliffs not far from his old home. There were great hopes fixed on him. He was to keep up the family name, and as a statesman to follow in his uncle's footsteps.

But Charles Grey chose out a course for himself. When he sat in Parliament, instead of upholding the landowners' rights, he took the people's part. Years passed, and again and again this member for Northumberland took up the question of Parliamentary Reform, each time without success. Sometimes he seemed to stand almost alone. Yet he was always true to his principles, and always patient and brave. In 1830 he was sixty-six years old, but one winter's night, from his place in the House of Lords, he once more told the sad tale of the people's discontent, and warned his hearers that only justice and reform could put an end to the disturbances in the country. There was a great silence while the House listened to these words, with which he ended his speech:--

“We see the hurricane approaching. We may trace presages of the storm on the verge of the horizon. What course ought we to adopt? We should put our house in order; we should secure our door against the tempest. How? By securing to ourselves the affection of our subjects; by removing grievances; by affording redress; by the adoption of measures of temperate reform.”

When the reply of the Duke of Wellington to Earl Grey's speech was known, the anger of the people caused a panic in the city of London.

"I shall always feel it my duty to resist all measures of reform," was the answer. But new hopes soon arose. The Premier resigned, and Earl Grey, the friend of the people, was asked by the king to take his place and form a new Cabinet.

Earl Grey's Reform Bill was preparing. On March 1st, 1831, Lord John Russell read it for the first time in the House of Commons. The cry was, "The Bill, the whole Bill, and nothing but the Bill."

At length, one September evening, 1831, crowds gathered in Parliament Square, and filled the Strand and all the neighbouring streets. Before the sun rose, the news that the Bill had passed the Commons was carried into the country. Bells were rung, and there was shouting and music, and the glad tidings were told even in the villages among the hills.

Then Earl Grey opened the debate in the Upper House. It is said that even those who were most opposed to him were touched by his patience and the earnestness with which he spoke.

It would be a long tale to tell in full how the Lords threw out the Bill; how petitions and deputations besieged Earl Grey, and how his strength nearly failed in the fierce troubles that followed. The great riots in Bristol, Nottingham, and Derby are matters of history now. We read a more welcome story when we turn to the wiser and more patient thousands who gathered near Birmingham. A new Reform Bill was before the Lords; and one day, while the debate went on among them, 100,000 voices on New Hall Hill were singing the Union Hymn, which every one in those days knew by heart:—

"God is our Guide: from field, from wave,  
From plough, from anvil, and from loom,  
We come, our country's rights to save,  
And speak a tyrant faction's doom.  
And hark! we raise from sea to sea  
The sacred watchword, 'Liberty.'"

Against *such* gatherings there could be no need of soldiers to quell rebellion. Though resolute, they were always orderly and peaceful.

At length, on June 7th, 1832, the grey-haired leader won the love and gratitude of the people. The Reform Bill passed the House of Lords, and gained the Royal assent. From that time, every £10 householder had a vote; the so-called rotten boroughs were abolished; and the great towns, which were the homes of working men, could at last send messengers to Parliament to tell about their woes.

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## CHAPTER VI.

### JOHN BRIGHT.

IN June, 1833, William Cobden died. Then Richard took his sisters to Manchester, and they lived together in a large house which he bought in Quay Street. He looked forward to gathering the whole family under his own roof in course of time. Fresh patterns were needed for the Sabden printing works that summer. Richard, glad of the change of scene, went over to Paris to seek for them. His love of travelling was as strong as it had been when he was a clerk in his uncle's firm; and he believed still, as he had always done, that wisdom and experience could be gained from learning the thoughts of strangers. So he took a longer holiday after his work was done in Paris, and for the first time went to Switzerland. The grand lakes, with their guardian mountains covered with snow and lost in clouds, were glorious sights to him, tired as he was with anxiety and overwork. He wandered over the rugged passes and through the sheltered valleys, and talked to the peasants in the villages where he rested for the night. Wherever he went, he found prosperous, happy people, busy over the kind of work that suited both the place they lived in and their own powers. The troubles of the English people often came to his mind in this journey; for he saw the Swiss contented and well-to-do on their farms; and he found no excisemen in that happy land extorting duties that were supposed at home to protect special trades, but really had the effect of injuring all. There was free trade in Switzerland, and he saw clearly by this



time what it might do for his own native land. With such thoughts he came back to England, and took up his work in Manchester again.

In 1835, he was thirty-one years of age. Within twelve months he wrote and published two pamphlets. One of them he called "England, Ireland, and America," and the other he called "Russia." On their title pages, the pamphlets were said to be written by a Manchester manufacturer; but no one knew that Richard Cobden, the hard-working young calico printer, was their author. The fame of these pamphlets spread quickly through the town. New editions came out, and they were read and talked about far beyond the limits of Manchester.

Three years had gone by since the passing of that Reform Bill in 1832, which the English people had striven so hard to gain. One result of that struggle was that men were wide awake and longing earnestly on all sides for further reforms. A Scotch lawyer, named George Combe, who had long wished in some way to lessen the sorrows of his fellow men, had written a book entitled "The Constitution of Man," and pointed out the way in which he thought men's lives might be made happier and better. There are certain laws of nature which men are meant to obey, and those people are most happy and wise who find out those laws and keep them. By doing so, men learn how to keep healthy bodies and pure, wholesome dwellings. If people would have wise minds and pure souls, they *MUST* have these healthy bodies and wholesome, pure abodes. Hitherto, people had quite divided soul from body, the inner from the outer life. "The Constitution of Man" told how closely the one acted on the other.

Now, Richard Cobden read this book, and he carried the teachings of George Combe still further. He believed that a perfect society might be established on earth, and that the great tie of commerce was to be one means of binding men together in honest, kindly, neighbour-loving lives. But, to that end, England must cease to meddle in the quarrels of other nations. She must give up her great standing army, and set the example of a mighty nation walking

in the paths of justice and free trade. Commerce and peace might bind the world together. Factories, mills, and furnaces, by spreading prosperity and refinement abroad, would bring about a higher social order; and men, busy in the common ways of trade, might in their own sphere be heralds of peace and unity, and builders of a new and glorious kingdom on earth. Richard Cobden saw, however, that there were false ideas of honour and glory abroad. Yet he hoped better views might arise among the children who were growing up to fill their father's places. So he tried to establish new schools; and, whenever he was invited, he spoke at meetings in support of education, and did all in his power, like a good knight, to fight against ignorance in the world about him.

One morning, as Richard Cobden sat writing in his office in Manchester, a stranger, a young man with open, earnest face, whose straightforward words and manner made him welcome at once, came to ask him to speak on education at a meeting in Rochdale.

All dwellers in Rochdale knew the good Quaker, Jacob Bright, with his large family. He was a cotton-spinner, as his father had been before him, and numbers of the townspeople, who had worked there all their lives, had found a good master in Jacob Bright. Of one thing every one felt sure, that the promise of the good old gentleman was always to be trusted, and that honour and integrity were to be found in him at all times. It was the eldest son of this family, named John Bright, who came with his request for help. Richard, seven years his senior, had learned to look below the surface for what was real in character.

Grand and true influences had acted on John Bright from his birth, and he had grown worthy of them all. He had learned to throw his heart into the troubles and victories of his own time, and he had a power of eloquence always ready to break forth at need. Though full of energy and strong of will, he had so tender a heart that the sorrows of the men and women about him touched him sometimes to tears. Both the young men were in earnest, and had high aims. So it was no wonder that a friendship sprang

up between them which lasted all their lives. Richard Cobden went to the meeting in Rochdale, and that night slept under the roof of the Quaker's peaceful home.

About this time, he carried out some new business plans, and took an active part in public affairs in Manchester. He was made an alderman. Men who wanted advice or help thought at once of young Richard Cobden, and he was ready for them all. But so many interests brought a great strain upon him, and in 1836, the year when his pamphlets came out, he was advised to go abroad again in search of rest and change. Then letters from him came often, and were so full of clear accounts of all he saw and heard, that, as his sisters read them, the town house and even the dull Manchester street in which they lived seemed to brighten with a fresh, new life.

One day, unexpected news came to him from England. He learned that a plan was on foot to send him to Parliament at the next General Election. He was to be proposed as member for Stockport, which was one of the Lancashire towns to which the Reform Bill of 1832 had given the new right of representation.

"Don't spoil your holiday by being anxious over this matter," wrote one of his friends. No doubt this man wondered greatly when he read Richard's answer to his advice:—

"I am not giving one moment's thought to the Stockport election. The worthy folks may do as they please. They may make me M.P. by their favour, but they cannot mar my happiness if they reject me. I shall be quite happy whichever way it goes. My peace and happiness do not depend on external circumstances of this or any similar nature."

A great event took place in England in the summer of 1837. Richard had been at home again just two months when news of the old king's death spread through the land. It was a wonderful day in London, when the young Princess Victoria was crowned Queen in Westminster Abbey. Seldom had such grand doings been known, but behind the excitement lay another and a deeper feeling. A great hope had spread among the people that fresh reforms might lessen the sorrows of the poor.

With the new reign came the need for a new election. In Stockport, reformers chose Richard Cobden as their candidate; but Tories had also their word to say, and a contest arose. Richard saw a new channel of work opening out before him. All his life he had grieved over the troubles of the people, and he would gladly take up their message to Parliament and try to help them there. So he threw himself into the struggle, and heartily longed for his election as a means to help him in the work he had to do.

Friends were eager, meetings were numerous, great zeal was shown; but Richard Cobden was a stranger to the borough, and he failed to win the seat. A great open-air meeting was held in Stockport, and Richard Cobden addressed the crowd. As the young man looked down upon the sea of eager, upturned faces that met his gaze, he felt within himself the call to be the people's helper, and knew that his time would still come.

## CHAPTER VII.

### THE ANTI-CORN-LAW LEAGUE.

FAR away across the great North Sea there lies a country rich with many legends and wild tales of olden time. Bands of warriors made the now ruined fortresses in Germany their strongholds, and went forth, armed to the teeth, against each other. Those were hard days to live in. The peasants found it little worth their while to till the land, for at harvest time the golden crops were never safe from roving enemies. Miners and woodcutters might toil hard in hills and forests, but trade was hopeless, when every river raft that bore their wealth for sale was at the mercy of the robber-chiefs, beneath whose towers it floated down the Elbe or Rhine.

As the years passed by a wiser generation grew up in that unruly land. The dreaded warriors passed out by degrees, and in the year 1833 the grand news had come to England that the once hostile people had bound themselves together in one great union.

Each State had leave to grow and manufacture what it chose, to buy and sell with all the rest. A treaty of Free Trade was made among them. If such a treaty could be extended to the whole earth, Richard Cobden's happiest dream would be fulfilled.

So thought he in England in the year 1837, when, the excitements of the General Election over, autumn came, and the harvest was gathered in, for that year there was a failure in English crops. A bitter winter followed the bad harvest, and there was great and widespread distress. Yet in other lands food was plentiful. There were rich harvests in countries where many of our manufactured goods would have been welcome in exchange. But the Corn and Provision Laws placed heavy duties on all food imported from abroad. That winter there were starving thousands in the sad towns of Lancashire.

Was it any wonder that one thought seemed now to fill his eager mind; that he spoke of it wherever he went? This young trader, self-made, son of a poor farmer, had, by slow but sure degrees, made his way to a great vocation. His aim was to help the daily life of his fellow men, and ease their woes. By some means they *must* have cheap food.

One night he was walking with a friend through the streets of Liverpool. Suddenly he stood still, and spoke thus: "I'll tell you what we'll do. We'll use the Manchester Chamber of Commerce for an agitation. I am determined to put forth all my strength for the repeal of those Corn and Provision Laws."

A man must have wisdom and experience who would try to change the laws of a nation. Were there no lessons to be learned in those lands through which the Rhine and Elbe flowed, where free trade had taken the place of robbery and war? He would have a month's holiday, and wander there.

So Richard Cobden carried out this plan, and saw for himself the working of that great commercial treaty. In this visit he learned, too, that men must help themselves, and not trust only to their rulers; that happiness depends on morals and manners more than on politics. He thought of the crowded

public-houses at home, and the low pleasures the city people loved, and longed to send a message to the men of wealth and power in England, *to be noble*, and keep a grand ideal before them for their guide.

Richard Cobden was not the first man who had raised his voice against the English Corn Laws. At various times men had risen in Parliament to protest, and a small society in London had also been formed to urge their repeal. But all the Lords and far the greater number of the Commoners were wealthy landowners, and would not see the evil that the Corn Laws wrought. A far stronger protest must make itself heard. Where could it rise so well as in Manchester, in the heart of all the trouble?

In October, 1838, a little band of resolute men—only seven of them—met together there and formed a new Anti-Corn-Law Association. Afterwards committee meetings were held twice a day in a dark, little, draughty room in Market Street. The yearly subscription for every member was five shillings—a small beginning in every way. But what cannot earnestness achieve? Richard Cobden joined the band, and there was no harder worker than he.

Wonderfully persuasive were his words; and so clear were his arguments, that as people listened to his public speeches, or his private talk, their doubts and opposition died away. "Was it not plain," he said, "that foreign countries would not buy our goods unless we bought freely from them in return? Was it not plain that, while people increased in number in our towns so fast, we must find fresh markets for the goods we made? otherwise wages could not be kept up, and our working men must starve. Was it not plain that we were encouraging competition against us in other lands by obliging them to manufacture goods for themselves, instead of changing with us for their surplus food?"

So his zeal made itself felt; his enthusiasm spread, and warmed the hearts of other men. When the Manchester Chamber of Commerce would have been content with proposing to Government a *less* duty upon corn, Richard Cobden stood firmly for the *whole* right, and cried, "The Corn Laws must be done

away; we must have free trade for England!" At a great meeting in Manchester he proposed a scheme for rousing fresh free trade workers in other towns in England, and binding them altogether in one great union. This plan was carried out, and the Anti-Corn-Law League arose, which was to move the world.

Widespread activity followed the new-born zeal. Anti-Corn-Law tracts were printed, and shed broadcast through the land. Lecturers were sent forth to preach the gospel of Free Trade in all parts. For such expenses money was needed. Daily, great sums from wealthy men poured into the office of the League. Yet, hopeful as all this seemed, the work was only just begun. There were two great parties in England, for the interests of landowners and farmers seemed opposed to those of manufacturers and men in trade. Above all, the Houses of Parliament stood strong in their old rights and traditions.

Early in the year 1839 the first attack was made. Petitions for the repeal of the Corn Laws had been drawn up by Mr. Cobden, and signed by half a million of people. These were presented in the House of Commons, and there could no longer be a doubt that "protection" had some resolute enemies in the land.

At last, after five nights, the debate was over, and the votes were taken. There were only 197 votes in favour of repeal, and 342 against it. There stood the fortress still unshaken, but there was one man who still said to himself, "All difficulties shall yield to energy." Richard Cobden's faith and courage did not fail him.

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## CHAPTER VIII.

### STORMING THE FORTRESS.

THE partners had prospered in trade far beyond any hope they had when, as young men, in the year 1828, they had come to Manchester seeking their fortune. By this time they had four firms, and their printed calicoes were in great demand. Yet Richard Cobden was not contented, and for this reason—his love for his brother Frederick was no less strong than it had been

in his earlier years. The time had come when Frederick must be made a partner in the business which Richard had done so much to form; but to this new scheme the other partners would not agree. Therefore, for his brother's sake, Richard Cobden gave up the hope of ease which lay before him, parted from his old comrades, and began business with Frederick for a partner. Next year, all his brothers and sisters being well cared for, he married a Welsh lady, who had been long known to the family. But no fresh happiness could turn him even a hair's breadth from the work he had once felt called to do. Nor could the new cares of his business make him forget the sorrows of the people, which he was resolved to lessen. He was still one of the hardest workers in the Free Trade League.

In those days great spaces of waste land lay in and around the town of Manchester. Cobden had bought some of this land in the hope that these open spaces would be worth much for the sites of factories and houses. A sad story belonged to one of the fields he owned; it was the site of the "Massacre of Peterloo," referred to in Chapter I.

"I will give a better use to the land," thought he, and one day a hundred workmen were to be seen busily at work upon the ground. In eleven days they had raised a huge brick building on "Peterloo," and it was known throughout Manchester that Mr. Cobden had given this land for the uses of the League. The great building was the first "Free Trade Hall." There all the meetings and banquets of the League in Manchester were to be held.

After that the good work went on faster than before. Richard Cobden had no lack of earnest fellow workers, whose names, with his, will be remembered for years to come. Great gatherings were held in the Hall, with Mr. George Wilson, President of the League, in the chair. Reports of the speeches were printed and sent forth far and wide. By that time the penny post had been set on foot, and copies of the free trade papers and tracts made their way into every village in the land.

Truly, England was wakening to new life. A great



battle was being fought in her midst, and the two war-cries were "Protection" and "Free Trade."

In 1841, another General Election took place, with a change in the Ministry. The Conservatives came that year into power, and Sir Robert Peel was Prime Minister. Then those who loved the Corn Laws rejoiced; for was not Sir Robert Peel a great land-owner, and likely to protect the farmers of England from the inroads of foreign-grown food?

Before the election, Richard Cobden was again proposed as member for Stockport. This time, however, it was against his will, and he offered £100 towards the expenses of another candidate, for his new business required constant care. But the band of free-traders in Lancashire had only *one* opinion among them—his voice must be heard in Parliament against the Corn Laws, or the great cause for which they were striving would fail. Freedom from close attendance at the House was offered him. As he pondered, his path grew plain, and he was elected for Stockport—a new messenger from the starving people to Parliament, a brave knight sent forth to storm the strong fortress.

At the opening of the session he took his seat in the House of Commons, and a few evenings afterwards he rose to make his maiden speech. The sight of the young calico-printer who dared thus to bring his unwelcome doctrines to that august assembly roused the anger of the great landowners around him, whose ancestors had sat for generations in the House. There was little courtesy shown him. It was no small ordeal to uphold a hated cause in the stronghold of its enemies; but Richard Cobden did not care a rush at that moment for the opinion of the House. In clear and simple words he brought forward his arguments against the Corn Laws. There was a tone of reality about his speech which startled his hearers and silenced those who jeered. From arguments he went to facts, and told of the widespread troubles of the people in sad words that touched the hearts of many. In after years John Bright told the story of that night, and said: "I could see the truth spreading from his lips and entering the minds of all who heard

him, till you could see in their faces and eyes that they had got hold of a new truth that they would keep for ever."

Before his speech was ended, the new member's pathos changed to bold rebuke. No longer must the Parliament of England talk of the interests of a class when the whole nation was praying for relief. "The day will come," he cried, "when the people who reverence sacred things will win the cause of free trade, and you and yours will vanish like chaff before the whirlwind."

So ended Richard Cobden's first speech in the House. There was no longer any doubt that the new member for Stockport was in deadly earnest, and would let no man silence him.

Many years had passed since the young John Bright's visit to the counting-house of Richard Cobden. The friendship then formed between the two young men had grown closer as years went by. Now, in the autumn of 1841, Richard Cobden turned from his pressing public work with a troubled heart to comfort his friend. He set out from London to Leamington, where John Bright's young wife lay dead. With the freedom of an old friend he entered. There are sacred moments in human lives of which no one can tell the tale; but the world knows that Richard Cobden's true heart found a way of giving hope and courage to his friend, and that his words, like heavenly messengers, called back a noble worker out of his despair.

"There are thousands of homes in England at this moment," he said at last, "where wives and mothers and children are dying of hunger. Now, when the first bitterness of your grief is past, come with me, and we will never rest till the Corn Law is repealed."

So they went together, and visited famine-stricken homes, and saw afresh the misery in large towns. A great strength was added in John Bright to the free trade cause, and from that day Richard Cobden knew that it must be won.

The new Premier, Sir Robert Peel, had stormy prospects before him when he took office. Within a week after the opening of Parliament, 994 petitions

for the repeal of the Corn Laws had been presented; and, as the members drove along the streets of London to the House, they were greeted with loud cries demanding the repeal of the bread tax.

On the other hand, the supporters of the Corn Law trusted to the new Premier to uphold the tax, and they watched eagerly for the new Budget. When it came out, the bread tax was still retained.

That year, 1841, the harvest was bad, and there was no work to be had for hosts of starving men. "Protection" had not found a market for English goods. Mr. Villiers brought forward in the House his annual motion for the repeal of the Corn Law—in vain. Richard Cobden made speech after speech, always clear and to the point. Yet in return he met with sneers and taunts from those who did not agree with him. His great hopes were scorned. He was accused of mean and selfish motives. His words were twisted, and false meanings put upon them. The Prime Minister, on one occasion, had an angry dispute with him. After that, it was said that the ruin of the bold young member was certain, and the public press declared that at all costs this disturber of the peace must be destroyed, and a new law passed against the seditious body of which he was the leader.

Behind all he had private cares and anxieties which were very heavy to bear. Letters came frequently from his brother, Frederick Cobden, in Manchester, where his business was doing badly and greatly needed his presence. Truly he must be a brave man who could stand firm to such a post as Richard Cobden held through such trials. Still, the great fortress was untaken, though the Leaguers fought bravely without and within.

## CHAPTER IX.

### THE VICTORY WON.

THE quiet old City of Durham woke up to new life one summer day in 1843. The narrow streets were gay with flags, and noisy with the steps and voices of busy, hurrying men, for John Bright had been

returned member for Durham, and his large, tender heart was alive to the sorrows of the people, and the aim of his life, like that of Richard Cobden, was to be the repeal of the Corn Laws.

It was not only in the House of Commons that the voices of the two friends were raised. In sultry sunshine, in storm and rain, they travelled over England and Scotland, holding meetings in country places to teach the ignorant people the blessings free trade might bring. Richard Cobden had no love for public meetings. He often said it would be a great relief to him if he knew he had never to make another speech. Moreover, the claims of home and his private business were pressing heavily on him every hour.

In their journeys they met with strange experiences. They were greeted with abusive words; even brickbats and stones were hurled at them. But by degrees they gained an influence over the people. Open-air meetings, which they called together, were crowded. Strong feeling moved the listeners when Richard Cobden told them how he himself had once been a country lad and kept his father's sheep, and had known the misery of rent-day. As they listened to the stirring words of the orators, their faces cleared, and their eager hands were held up to vote for the repeal of the Corn Law. It was a labour of time to teach men what peaceful workers could do by influence and speech alone; but, by degrees, a better hope than that of wild revenge grew up in these troubled hearts.

So it came to pass at last that, when their names were uttered at a public meeting, the people with one accord would rise and give hearty cheers for the brave men who were giving up time and strength in the effort to untax the people's bread. Rich men, who knew how much of their success in life depended on the opening of foreign markets, gave large sums of money willingly. Huge meetings were held in the great Covent Garden Theatre in London; and, both there and in Manchester, grand bazaars were opened.

The autumn of 1845 set in wet and cheerless. The fields were soaked with rain, and terrible tidings came over from Ireland. There the potato crop had failed;

famine and disease were spreading among the people, and the cry was raised more loudly than ever: "Open the ports! Untax the people's bread!" In these gloomy days, Richard Cobden was called to Manchester by bad news. Ruin threatened his business, and he could see no other course open to him than that of retiring at once from public life.

He told this resolution in a letter to his friend John Bright, who was then staying at Aberdeen, in the North of Scotland. It was a hard step to take, for the great battle he had been fighting so long was nearly won, and his friend knew how heavy must be the trouble to one whose heart was in the cause. Moreover, the loss of Richard Cobden's help would be a great loss to the free-traders: it might even be the ruin of their plans. In reply, a letter came from Aberdeen, which cheered the heart of the despairing man, and he began once again to believe in his old motto, "All difficulties shall yield to energy."

Through storm and rain John Bright followed his letter. When he reached Manchester, he did not rest till he had found means to settle the business troubles of Mr. Cobden's firm; and its principal was once more able, though not without a heavy weight of care, to work for the Anti-Corn-Law League.

Multitudes of men, women, and children in the kingdom were dying daily of famine and disease; and every one agreed that in some way food must be found for them if their misery was to end. But party-strife ran high. Both Whigs and Tories had many schemes to propose; only the Leaguers were of one mind. Richard Cobden's health failed. Still he took no rest; he continued to summon public meetings, and to address them, and lost no chance of upholding free trade counsels in the House.

Could it be that Sir Robert Peel, the friend of the Corn Laws, was beginning to waver? Richard Cobden thought he saw signs of this, and took fresh courage.

Early in the year 1846 the Queen opened Parliament in person. Sir Robert Peel had given notice that he should bring forward the subject of the Corn Laws for discussion in the House of Commons. At the

appointed time the Strangers' Gallery was crowded. No such excitement had been known since the year 1832, when the Reform Bill was passed. Within the last few days a letter by Lord John Russell had been published. In this letter he had openly declared himself in favour of free trade in corn. Lord John Russell was leader of the Opposition, and there had been some whispers of disagreement in the Cabinet, and of a new Liberal Government. Still, however, Sir Robert Peel was Prime Minister. There was a great silence through the House when he rose to speak, and very soon it was plain to the listening crowd that his opinions had changed, and that he was now willing to repeal the Corn Law.

A man becomes a hero when he upholds what he believes to be right and just, although expediency and personal comfort tempt him to keep silence. It was the grandest hour of Sir Robert Peel's life. To acknowledge that he had been in the wrong for so long was a painful task, but in this great hour of temptation he was true and brave. He had to pay a heavy price for his courage afterwards in the loss of old friends and of office; but the Corn Law Repeal Bill was carried by a large majority, and afterwards passed the House of Lords.

Yet Sir Robert Peel took no credit to himself when the great victory was at last won. As he took his leave of office, he did honour to the brave man, who had been as a thorn in his side for so long, in these words: "The name which ought to be and will be associated with the success of these measures is the name of a man who, acting from pure and disinterested motives, has advocated them with untiring energy, and with appeals to reason, enforced by eloquence, the more to be admired because it is so unaffected and unadorned—the name of *Richard Cobden*."

Thus at last, in 1846, the Corn Law was repealed, and the faithful workers in the cause of free trade saw their long struggle at an end.

In the month of July, 1846, the last great meeting of the League was held in the Manchester Town Hall. One after another the well-known heroes entered the Hall and took their seats upon the platform. The

great building was shaken with the cheers that greeted them.

When Richard Cobden rose, he had to stand in silence for some minutes before the great assembly, until the cheers ceased which had broken forth afresh and drowned his words. When at length he could be heard, he gave the glory of the victory to his fellow workers, and spoke of the grand courage of Sir Robert Peel, and the brave toil of the multitudes of men and women, unknown to fame, without whose help the battle could never have been won. He showed his true greatness in that generous, modest speech, and took his farewell of the League with glad words of prophecy that its influence would not end, but spread abroad in other good works, and in a spirit of good-will and peace among men.

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## CHAPTER X.

### MIDHURST.

NEARLY eighty thousand pounds was subscribed as a token of gratitude for Cobden's past labours, which had ruined his own prospects, and, thankful for this fresh chance to serve his nation, he accepted the gift. First of all, private business claims must be met. When this was done, he was free to leave Manchester and his calico-printing, and to seek a new home elsewhere.

His thoughts turned to the old farmhouse at Midhurst, in Sussex, where he was born, and where his forefathers had lived. He bought the place, with its fields and garden, and made a home there, the elder brother making one of the family.

By-and-by a new house was built on the site of the old farm. Thus, Richard Cobden came back, towards the end of life, to the scenes he had loved when a boy. But he was a man of action, and could not rest long. If he had been an ambitious man, his highest hopes might have been satisfied; for a seat in the Cabinet was offered him, and honours were pressed

upon him. All were declined, however, that he might have great freedom in his plans. These were soon formed. Richard Cobden was more than an Englishman—he was a lover of his whole race; and thus he wrote to a friend: “With God’s help I must, during the next twelve months, visit all the large States of Europe, and try to enforce those truths which have been irresistible at home.”

So Richard Cobden said good-bye to his country home and his English friends, and began his wanderings in foreign lands. Wherever he went, he was welcomed heartily. Banquets were held in his honour, and kings and great statesmen gave him audience. He never lost a chance of preaching his doctrine of free trade, hoping, by its means, to extend commerce, and thus bring peace and good-will among nations.

During his absence, a General Election took place in England. He was returned, both for the borough of Stockport and the great West Riding of Yorkshire, and accepted the latter seat. To be chosen by so large a constituency was a high honour, and added to his chances of influence.

Richard Cobden had a great hope before him; to reach it had really been the aim of all his work in life. This hope was to bring peace on earth and goodwill among men. As he walked on the quiet, sunny terrace at Midhurst one day, he said to a friend, “I could die happy if I had contributed a little to the partial disarmament of the world.”

That day, he turned himself afresh to the task. It seemed a simple matter that he proposed—that all nations should agree to refer disputes to arbitration, and should reduce their military and naval armaments. Such a proposal he brought before Parliament in 1849, but failed to gain a hearing. His next step was to join in summoning Peace Congresses in various towns in Europe, to try, by their means, to unite nations in a league against war.

But in 1852 a panic arose in England. It was said that the French Emperor was going to invade our shores. By speeches, and by the writing of pamphlets, Richard Cobden tried to calm the fears and passions



of his countrymen. Within a short time the Crimean War was raging, and the Emperor was the faithful ally of the English. Then came a dispute with China—an unjust one in Richard Cobden's view. Through all these changes, he and his friend, John Bright, stood firm to principle, and at all seasons opposed the widespread thirst for war. But almost all England was against them. They were called traitors to their country, and abused on every hand.

Richard Cobden lost his seat in Parliament. There was a General Election in 1857, and to stand again for the West Riding was out of the question with this loss of popular favour. So he offered himself as candidate for Huddersfield, and failed. The election was gained by a supporter of the Crimean War. But the defeated member went down to Midhurst with a clear conscience.

Few men reap the harvest of the seeds they have sown. The influence of such a man as Richard Cobden is living and working still; but he *did* live to see statesmen gain faith in arbitration as a means of settling the quarrels of nations; and, within three years after the repeal of the Corn Law, he knew that 5,000,000 people were living on corn brought from foreign lands.

By the time Richard Cobden was fifty years of age he had filled those years with more thought and work than most men expend in a much longer life. Yet through that busy lifetime, while he was first making his own way in the world, and afterwards fighting great battles against wrong, he was still gentle and tender, as all great souls always are. In 1856 a great grief fell upon him, and he went down from London to Midhurst to break sad tidings to his wife, and tell her that their only son, a boy at school in Germany, was dead. Then followed months of tender, patient care for her, when he gave up all interests for her sake, travelled with her, and nursed her back to health and hope.

In 1859 he was again in Parliament as member for Rochdale, which place he represented till his death. The anger against him for his opposition to war had died away. Probably there was no influence stronger

in the House than his; and true and honest men of all opinions had learned, if they could not agree with him, that he was one whom all might trust. He still had great aims and high ideals before him, as in his youth; and still he was firm and true to them as ever.

One more of his great deeds must be told before this story ends. In 1860 he brought about a Treaty of Commerce between England and France. Truly, rare patience and courage were needed in this work, for the hindrances were great, and the opposition to the treaty in both nations was strong and hard to overcome. Twelve months passed away before his task was done. He began it as a private individual, though he was afterwards supported by the State; and, as plain Richard Cobden, he sought the Emperor's presence, and laid before him his plans for the bond of union between the two countries. While Cobden was still about his work, there were fresh rumours of war with France, and of new defences to be made against her on the English coast. Had not the Emperor learned how thoroughly he could trust to the honour and word of Richard Cobden, he would never have signed the treaty. In November, 1860, this was done, and the new bond between France and England was firm. Then from both grateful nations came fresh offers of title and honour. But all were declined. This English hero was simply Richard Cobden till his death.

After this, though still at times active in the House, and great in his peaceful influence in the foreign affairs of England, his strength failed slowly. His last pamphlet, called "The Three Panics," was published in 1862. His last public speech was made at Rochdale in November, 1864. That winter was spent in his happy home at Midhurst.

One day, when the cold March winds were blowing, he travelled to London that he might be present in the House when an important debate went on. But he was seized with bronchitis. On Sunday morning, April 2nd, 1865, Richard Cobden's spirit was called away, and a few days after his body was laid in the churchyard among the pine trees in the place where he was born.

# COBDEN'S WORK

AND

## OPINIONS

BY

LORD WELBY

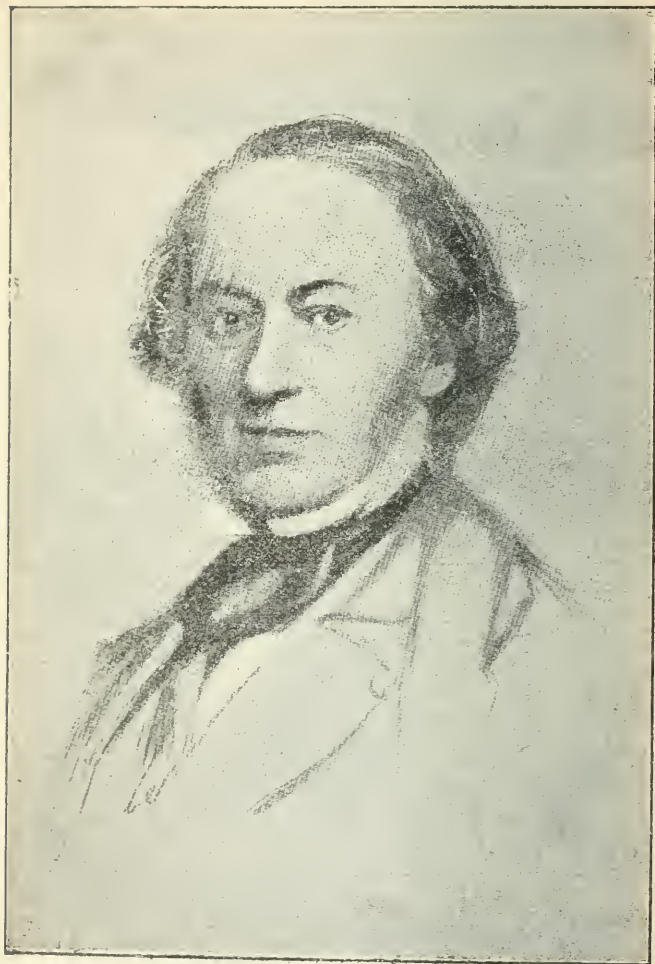
AND

SIR LOUIS MALLET



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# I

## *COBDEN'S WORK AND WRITINGS*

By Lord Welby.<sup>1</sup>

THE State is a severe mother. She demands from her noblest sons their intellects, their energies, and, if need be, their lives; but she is not ungrateful. The men who have guided her destinies live in grateful memory and in memory the more honoured if to great service and lofty aims they have added disregard of self, directness of purpose, and simplicity of character. Such men become household words of the nation. They create the standard by which the nation measures itself, and by which it is measured. They strike the keynote of national character. Such a man was Richard Cobden, a type of a great Englishman to Englishmen of all times, a type in his truthfulness, in his simplicity, and in his devotion to the welfare of his countrymen.

It is nearly forty years since he passed away, and in the interval much has happened. During his youth and the prime of his manhood, the people were suffering under the results of the Great War. Excessive taxation weighed upon all classes, but more especially upon the wage-earning and poorer classes. The progress of the nation was hampered by bad laws and unwise restrictions. The condition of the poor was miserable, for employment was scarce, wages were low, and food was

<sup>1</sup> Being the preface to "The Political Writings of Richard Cobden" (Fisher Unwin, 1903), with the omission of a few phrases.

dear. Education was neglected, and little had been done to make the mass of the people fit for the citizenship of a great and free country. This was the condition of the nation as Cobden knew it. He saw that improvement was impossible as long as the labouring classes were ill-fed and often unemployed, and he threw himself with all his soul into the fight for free trade and cheap food. The tale of the fight is admirably told in Morley's *Life of him*. As one reads it, one is struck by the tact, the resource, the vigour and statesmanship of the man. Protection ruled in trade and agriculture, and the protected interests were to a man against him. But his chief foe was the agricultural interest. The great landowners were arrayed against him. The fight was long and severe, but Free Trade triumphed in the end and Cobden was the leader of the victorious party. There is no passage in the records of Parliamentary debate more striking than the oft-quoted tribute which in the hour of his triumph Sir Robert Peel paid to him.

"The name which ought to be associated with the success of our measures of commercial policy is not the name of the noble lord, the organ of the party of which he is the leader, nor is it mine. The name which ought to be, and will be, associated with the success of those measures is the name of one who, acting, I believe, from pure and disinterested motives, has, with untiring energy, made appeals to our reason, and has enforced those appeals with an eloquence the more to be admired because it was unaffected and unadorned: the name which ought to be chiefly associated with the success of those measures is the name of Richard Cobden."

The verdict of posterity has confirmed the judgment of Sir Robert Peel. It has associated inseparably and for ever the name of Cobden with the great Act of 1846. Many men and many interests then contested and now contest the policy of that Act, but generous opponents have never questioned the power, the energy, and the singlemindedness with which he fought the fight. Six years after the repeal of the Corn Laws an event took place which fittingly crowned his labours. In December, 1852, the Tory party, after depriving Peel of office, after opposing for six long years his policy as ruinous to

the nation, and after appealing to the country to reverse that policy, hauled down their colours, and the Tory Ministers of the Crown, and the bulk of their party, followed the Liberals into the lobby in order to affirm a resolution that the policy of Cobden, which they had condemned, was sound and successful, and ought to be maintained. On that occasion a follower of Peel, pointing to the Treasury Bench, exclaimed, "If you want humiliation, look there." Cobden cared little for humiliation. It was enough for him that, an insignificant minority of some fifty excepted, both parties in the House of Commons combined to affirm the great principle of which he was the champion.

It has been said that Cobden and Bright were demagogues. They were certainly leaders of the people ; but a demagogue is generally supposed to secure and maintain his power with the people by flattering and cajoling them. A simple test will show whether Cobden and Bright were demagogues in this sense. In 1854 the Russian war broke out. The nation has always a warlike tendency, and when its leaders tell it that war is necessary, it accepts their judgment but too readily, throwing itself into the struggle with vigorous and earnest resolution. In that mood neither the upper classes nor the working classes are tolerant of opposition, and statesmen, however honest and capable, if they question the passion of the hour, are heard with impatience, their warnings and remonstrances are brushed aside, and, when opportunities offer, the constituencies are not slow to punish them ; for the masses are unable to appreciate motives which appear to them unpatriotic. The result is intelligible, though not always creditable to the common sense of the nation. No demagogue, anxious to secure popularity and power, would oppose in such circumstances the dominant mood. Cobden and Bright thought that the Government and the people were in error, and that the war was unnecessary. Careless of popularity when conscience was concerned, they boldly expressed their views in and out of Parliament, and as a consequence they lost their popularity, and when, a year or two later, they denounced the war with China arising out of the miserable affair of the *lorcha Arrow*, they lost their seats. Who will say

now that it was not good for the nation that the warning voice should have been raised, and that honour is not due to the men who dared to raise it? Who will say in the light of experience that they were wrong in either case? There are few of us who lived in those days, and shared the prevailing opinion, but have more than a doubt whether in the Crimean war our money was not wasted, and, what is worse, gallant lives lost in a bad cause. We know at least one great Tory leader, lately, alas! taken from us, held that we put our money on the wrong horse. But be that as it may, happy is the country which has such demagogues as Cobden and Bright. Demagogues in the ordinary sense they were not. The title would fit better those who in war time use their passing popularity to inflame the national passion, and to crush opponents who do not share their views.

The cloud of distress which so long hung over the nation had begun to lift some years before Cobden died. He lived indeed to see the commencement of that national prosperity which marked the last third of the nineteenth century. When he commenced his campaign against Protection the value of British produce exported was rather more than £50,000,000. In 1864 it had risen to £160,000,000. In the year 1902 it had risen to £283,000,000. In 1841 one in every eleven persons of the population was in receipt of poor relief; in 1864 one in twenty; in 1902 only one in forty. In 1841 the deposits in Savings Banks were £24,500,000. In 1864 they had risen to £44,500,000; in 1900 to more than £207,000,000, besides £59,000,000 invested in Building and Provident Societies. In 1843 the total annual value of the property and profits assessed to income tax were, including an estimate for Ireland, £270,000,000. In 1864 it had risen to £370,000,000, and in 1900 to £758,000,000. Thus, in the quarter of a century from the formation of the Anti-Corn Law League, Cobden saw the result of that great movement in an increase of 200 per cent. in the export of our goods, in the diminution of pauperism by nearly a half, in the savings of the poor nearly doubled, and in the increase by 37 per cent. of the income of the well-to-do classes. Truly he might feel that, thanks in the main to the labours of himself and



Bright, to the policy of which he had been the champion, the country had entered on a period of progress and prosperity. What would he have thought if his life could have been spared to the beginning of the twentieth century, and seen continued progress in our export trade, pauperism again decreased by a half, the savings of the poor increased by nearly 400 per cent., and the incomes of the well-to-do more than doubled?

Two facts characterise the national mood in the latter part of the nineteenth century which would have grieved Cobden to the heart—the growth of military and naval expenditure and the development of warlike spirit in the people. He thought in 1850 an expenditure on army and navy of £16,000,000 excessive, and in 1864 he thought an expenditure on those services of £26,000,000 still more excessive. On this point he and Bright were not singular. Many men not of the Manchester school shared their views, and in 1862 the Liberal party in Parliament insisted on reduction of expenditure, supporting Gladstone in the Cabinet against Palmerston, and Palmerston had to yield. But if Cobden thought the expenditure of 1850 and 1864 excessive, what would he have thought of a military and naval expenditure of between £70,000,000 and £80,000,000 in 1903—a year of peace? And how would it have added to his sorrow to learn that this enormous expenditure is tolerated, one might say approved, by a democracy! When Cobden died the country was ruled by the middle classes, the householder of £10 and upwards. He was earnestly in favour of a wide extension of the suffrage. Within a few years of his death household suffrage was established, and the franchise was extended to the agricultural labourers. Thus a middle-class Government was converted into a democracy. The middle-class constituencies had been economical to a certain extent, though not nearly so economical as Cobden would have wished. The democracy has been, and is, lavishly extravagant. A great Tory statesman, deploring the increase of public expenditure, could only say plaintively, “Who are we that we should stem the tide?”—an expression of despair, perhaps, hardly worthy of the leader of a

**The Growth of  
Jingoism.**

great party, but indicative of the reality, I might say the popularity of the evil, and of the difficulty of coping with it. Cobden acted consistently on principle, and we may rest assured that he would have granted the extension of the suffrage, even if he could have foreseen that the democracy would use it to their own disadvantage. He would have held that the people had a right to govern themselves, whether they used their power well or ill, but it would have sorely disappointed him to see the democracy, the working classes, whose true interest lies in public economy and low taxation, as eager as ever were the upper classes, and much more eager than the middle classes, for military glory, expansion of territory, and lavish expenditure.

The great work of Free Trade which Cobden accomplished is now wantonly assailed, and it is well that at the present crisis men should now reconsider his conception of the true interests of the nation of which he was so eminently a type. "I would rather live in a country where the feeling in favour of individual liberty is jealously cherished, than be without it in the enjoyment of all the principles of the French constituted assembly." Thus spoke the true Englishman. His speeches and writings are ransacked to find prophecies and anticipations which have not been fulfilled, in the hope of shaking faith in the soundness of the practical policy which he did so much to establish. Let him speak for himself. I care not whether his generous belief in the virtue of mankind, in their capacity for learning the lesson of enlightened self-interest and national morality led him into hopes which have not been justified by facts. Have the predictions of other great statesmen always been fulfilled? Shortly before the Peace of Amiens Pitt thought that he could find the means for another year of war, and that England would then be exhausted, yet England found the means for carrying on the war until 1815, though unhappily she suffered under this strain on her resources for many a long year. Was Canning correct in his bombastic prophecy that he had called into existence a new world to correct the balance of the old? Has Palmerston's belief in the future of Turkey,

which led him into the Crimean War, been justified? Or, to take a more modern instance, what shall we say of the foresight of our modern statesmen, who shut their eyes to the warnings of their expert advisers, and went totally unprepared into a great war, confident that it would last a few months and cost £10,000,000? It lasted nearly three years, and cost £250,000,000. These were grave miscalculations of the future. In three of them they were especially grave, because they concerned immediate policy, but Cobden's hopes as to the spread of Free Trade in foreign countries, and the growth of desire for peace, did not affect his practical policy. He advocated Free Trade, as essential to the welfare and progress of the nation, irrespective of foreign tariffs or the warlike tendencies of nations. The higher foreigners built their tariff wall with a view to exclude our goods, the more resolute would he have been to demolish the wall which a long period of Protectionist government had been erecting on this side the Channel. He wanted to give our working classes cheap food, and our manufacturers untaxed raw materials, and the incitement to skill and industry which competition affords, in order that we might continue to hold our pre-eminence in trade.

But the new Protectionists argue that circumstances have changed since 1846, and that the policy of 1846 is no longer suited to the needs of the nation. Mr. Balfour, in his recent manifesto, lays it down that we ought "to accept provisionally the view that the character of our fiscal policy should vary with varying circumstances," and he proposes to give effect to his axiom by a total revolution in our fiscal policy, which certainly cannot be described as provisional. In face, however, of so radical a change, it is not sufficient to say merely that circumstances have changed. The burthen of proof lies with the Government. The Prime Minister must show by facts that circumstances have changed to the detriment of the nation and to an extent which justifies the revolution. Is the prosperity of the nation declining? Let us take Mr. Balfour's evidence. "Judged by all available tests, both the total wealth and the diffused well-being of the country are greater than they ever have been. We are not only

rich and prosperous in appearance, but also, I believe, in reality. I can find no evidence that we are living on our capital." So far, therefore, and on the evidence of the chief opponent of Free Trade, circumstances have not changed to the detriment of the nation. Under Free Trade the country, since 1846, has steadily advanced in prosperity. What, then, is the Prime Minister's reason for the revolution? According to him a "close" examination of our export returns show signs of diminution, and he appends figures in support of his view, but his test is faulty. His argument applies to the volume of our exports, and his figures to their declared value. But the value is based on the prices of the years, which vary from year to year, and are therefore a faulty basis of comparison. Hence upon a superficial examination he formed a vague apprehension, and he offers this as a sufficient reason for a return to a system of retaliation so long tried, and so decidedly condemned by that most cautious and prudent of statesmen, Sir Robert Peel. If Cobden's policy is brought to trial upon this indictment only, his followers need not fear the verdict.

But Cobden's forecasts were not confined to the the spread of Free Trade, or the growth of desire for peace. Let us note in his writings how sound were his views, how just his prescience, on most of the important questions of the day. In "England, Ireland, and America," published in 1835, and in "Russia," published in 1836, he pleaded for non-intervention, not only as in accordance with moral law, but as a policy essential to the true interests of the country. He saw that the great change which had been silently taking place in the development of manufactures and in the growth of our town population made it necessary to review the principles of our domestic policy in order to adapt the Government to the changing condition of the people, and to alter, "the maxim by which its foreign relations have in past times been regulated." He said that the policy of making food dear in order to protect the interest of one class of producers was not only unjust, but impossible. The larger part of the working classes, ill-fed, and ill-paid, would not suffer for long their food to be made artificially dear by class

legislation, that discontent and class war must be the result. He saw also—saw justly and saw first—“that it is from the silent and peaceful rivalry of American commerce, the growth of its manufactures, its rapid progress in internal improvement, the superior education of the people and their economical and pacific Government—that it is from these, and not from the barbarous or the impoverishing armaments of Russia that the grandeur of our commercial and national prosperity is endangered.” He added, indeed, that in less than twenty years this would be the sentiment of the people of England generally. His prophecy was somewhat too sanguine, but sixty years at all events have taught us the justice of his views as to the United States. He showed us also how to face our great antagonist, viz., by removing all obstacles to trade. The United States have a thriving and intelligent population of 80,000,000, nearly double that of the United Kingdom. They are lightly taxed, very little indebted, and incur insignificant charge for military and naval service. Yearly a large proportion of the people goes into the towns and engages in manufacturing industries, and it is at this moment, when their competition with us becomes daily more intense, that it is gravely proposed that we should fetter and impede our manufacturing and consuming powers by preferential and retaliatory duties, that we should tie up a man's leg in order to help him in running a race.

His Foresight as to  
America.

Take, again, Cobden's views as to Ireland. How, after a powerful picture of Ireland's condition, he traces the evils which produced such results to the ignorance of England on Irish questions. How he condemns the statesmen “who have averted their faces from this diseased member of the body politic.” Listen to the following words written in 1851: “Hitherto in Ireland the sole reliance has been on bayonets and patching. The feudal system presses upon that country in a way which, as a rule, only foreigners can understand, for we have an ingrained feudal spirit in our English character. I never spoke to a French or Italian economist who did not at once put his finger on the fact that great masses of landed property were held by the

descendants of a conquering race, who were living abroad, and thus in a double manner perpetuating the remembrance of conquest and oppression, while the natives were at the same time precluded from possessing themselves of landed property, and thus becoming interested in the peace of the country. . . . How are we to get out of this dilemma with the present House of Commons, and our representative system as it is, is the problem." The problem was not to be solved by that House of Commons or the limited representative system that then existed. The Home Rule Bill of Mr. Gladstone may be open to criticism, but impartial history will recognise that he, with all the earnestness of his nature, forced the English nation much against its will to face the Irish questions—the question of the Irish Church, Irish self-government, and Irish land tenure. A Conservative Government has lately completed, with large aid from the British Exchequer, the revolution in the tenure of Irish land begun in 1881, and Mr. Wyndham's measure, which aims at ending this "feudal system" of land tenure, confirms and justifies the foresight of Cobden and the policy of Gladstone. "In Russia," published in 1836, and in "What Next and Next?" published during the Crimean War, Cobden reprovved the spirit of Russophobia then rampant, and rampant long afterwards; but there are signs that thinking minds are beginning to share the views of Cobden on that fear of Russia which has so long haunted the nation, which plunged us into the Crimea War, the Afghanistan War, and which more recently led the Government to take a course in China which has not enhanced our reputation.

In his letter to Mr. Ashworth (April 10, 1862) Cobden urged that all private property should in time of war be exempt from capture at sea, that neutral ships ought to be exempt from search or visitation, and that the commercial ports of an enemy ought to be exempt from blockade. Cobden advocated these changes in international law, after his wont, because they would be of special advantage to this country. Many people are at present exercised as to the ensuring a supply of food for this country in time of war. They are discussing clumsy and expensive remedies against this contingency.

They would do well to consider Cobden's able argument in support of his proposal. This country could not under any circumstances provide the food required for its immense population, and it must be dependent on foreign countries for the raw material of its manufactures. No country, therefore, is more interested in modifications of international law which would ensure the supply of these necessaries. It is possible that those modifications might not be respected by belligerent nations under the stress of war, but their acceptance by the Powers would impose an obligation on belligerents, which could not be repudiated without risk and without dishonour. The "Three Panics" is a powerfully-written pamphlet, both in style and matter. It is an excellent example of the manner in which Cobden seizes the weak points of a policy to which he is opposed, of the clearness and conciseness with which he exposes them, and of the skill and power with which he drives home his conclusions.

In these writings Cobden may have overrated anticipated advantages and underrated difficulties. He may have been too sanguine in some directions, he may have relied too much on the wisdom of this and other nations, and not have been sufficiently alive to the ambition of statesmen and to international jealousies; but no fair person can fail to be struck by the general soundness of his argument, the morality of his statesmanship, and the correctness in the main of his foresight, as evidenced by the manner in which national opinion has veered in his direction. His opinion on national expenditure will be chiefly criticised. Probably he, like other persons, taught by the experience of the last forty years, would admit the necessity of a navy, sufficiently powerful, according to our present knowledge, for our defence. It must, indeed, be remembered that he accepted the principle of that policy, though he did not accept even the standard of efficiency accepted by the statesmen of that day. On the whole, however, how just was his opinion of the national interest in public economy! True Free Traders must endorse his principles as strongly now as then, nay, more strongly, for the evil of extravagance becomes daily more evident. If a nation is to be strong and contented, the mass of the

population must be sufficiently fed. The extravagance of peace expenditure in the last few years has necessitated a reversal of the wise policy which ruled from 1842 for forty years. The tea duty has been raised until it is nearly 100 per cent. on the value of the article. A duty has been placed upon sugar equivalent to 50 per cent. upon its value, apart from our quixotic anxiety to lose a bounty worth to us probably another 50 per cent. The supposed necessity for lavish expenditure has made it necessary to seek new sources of revenue, and high financial authority has pleaded that the basis of taxation must be widened. That is to say, duties must be imposed on articles of consumption, and the poorest classes must be taxed in order to meet the ever-increasing demand for military expenditure—a singular device for improving the physical strength and consequently the power of the nation. Mr. Chamberlain goes a step further, and would “widen the basis of taxation” in furtherance of a new line of policy. He wishes to tax the bread of the poor as a tribute to our prosperous fellow-subjects in the self-governing Colonies, and in the hope that this contribution from the working-classes at home may induce the Colonies to enter into closer confederation with us. Thus, economy in public expenditure, on which Cobden insisted with such earnestness, is absolutely abandoned. Military experts, policy-mongers, interested trades have only to ask in order to receive. The tub of the Danaids is a water-tight vessel compared with the exchequer. The burthen of this extravagance weighs upon all classes, but most upon the poor.

The Free Trader, on his side, sees that extravagance in public expenditure, by making new taxation necessary, has given the Protectionists an opportunity of which they are not slow to avail themselves, and it is only too likely that, if the nation does not speak out, Protection in aggravated form will be a plank in the Conservative platform. Thus the lesson which Cobden taught is brought home, and the wisdom of his teaching is made only too clear.

Students of English may learn much from Cobden's writings. They are like his speech—clear, fearless, vigorous, but persuasive. The style was the man, the



result of conviction based upon close observation and careful thought. The purity of his style is the more remarkable, since he had no advantage from education in the formation of it; but his keen sense of beauty, his innate power of understanding excellence in art, bestowed upon him a power of appreciation such as men usually acquire by long study. How genuine, in his Italian diary, is his admiration of the great works of antiquity, and how well he expresses his admiration of them!

The two great twin brethren of Free Trade were singularly fitted for co-operation in the conduct of a crusade against vested interests and deep-rooted prejudices. Both were outspoken, both put clearly and pointedly their argument to the public, and neither of them was a respecter of persons. Bright, however, was bold and somewhat aggressive, while Cobden was bold and persuasive. Cobden, therefore, aroused less personal antagonism; but the English mind is conservative, and people in comfortable circumstances regard with distrust the man who attacks established interests and the existing order of things. Hence Cobden, though perhaps in a less degree than Bright, was for years misunderstood.

May Cobden's writings in this hour of crisis for Free Trade find readers in every part of the kingdom! His pamphlets have lost nothing of their intrinsic value, though they were written seventy, fifty, forty years ago, and though the circumstances of the nation, and the temper of the nation, have changed greatly in the interval. The principles they inculcate, the lessons they teach, are as good and as sound now as they were then. Thoughtful readers will realise how Cobden's policy has removed causes of discontent, has promoted good understanding throughout the community, and tended to weld rich and poor into one nation. They will realise how just, and therefore how conservative, were his views, and how sound in the main was his judgment, even tried during half a century by the hard test of experience. We who are Free Traders have absolute confidence in our principle, and our belief in the great leader of the Free Trade movement is unabated.

## II

# *THE POLITICAL OPINIONS OF RICHARD COBDEN*

By Sir Louis Mallet, C.B.<sup>1</sup>

IT is with a peculiar satisfaction that we hail the publication of "The Political Writings of Richard Cobden." Presented originally to the public in the ephemeral form of pamphlets, thrown out in sharp opposition to the prevailing passions and prejudices of the hour, and systematically depreciated as they were by the organs of public opinion which guide the majority of our upper classes, we suspect that they are well-nigh forgotten by the elder, and little known to the younger men among us. Yet do these scattered records of Mr. Cobden's thoughts contain a body of political doctrine more original, more profound, and more consistent, than is to be found in the spoken or written

<sup>1</sup> Being portions of an essay written first in 1867, and reissued in 1869, as an Introduction to "The Political Writings of Richard Cobden."

The late Sir Louis Mallet was Mr. Cobden's assistant in the negotiations of the Treaty of Commerce with France in 1860, and was at the Board of Trade in succeeding years, charged with the negotiations of similar treaties with other European powers, which did so much for the extension of free trade ideas and brought about a general reduction of tariffs which has not even yet lost its effect. He was brought much into contact with Mr. Cobden in official and private life.

Until the publication of Cobden's Life by Mr. John Morley, who had the advantage of Sir L. Mallet's assistance and advice, this essay was the only authoritative comment upon the great free trade statesman's work.

utterances of any other English statesman of our time, and we commend them to the earnest study and consideration of all who aspire to exert an influence on the future government of our country.

Whatever may be thought of his political character, it will be admitted that no man has made a deeper impression on the policy of this country during his time than Richard Cobden.

The false judgment so commonly passed upon this statesman is to be traced, we believe, in a great measure to that which constitutes his great and his distinguished merit, viz., his steady adherence to general principles, and his consequent freedom from class and party views, and his indifference to the popular clamour of the hour, which in turn brought him into collision with all classes and with all parties, and on some memorable occasions, with the body of the people themselves.

Mr. Cobden's political character was the result of a rare and fortunate combination of personal qualities and of external circumstances.

Sprung from the agricultural class, and bred up (to use his own expression) "amidst the pastoral charms of Southern England," imbued with so strong an attachment to the pursuits of his forefathers, that, as he says himself, in the volumes before us, "had we the casting of the *rôle* of all the actors on this world's stage, we do not think that we should suffer a cotton-mill or manufactory to have a place in it;" trained in a large commercial house in London, and subsequently conducting on his own account a print manufactory in Lancashire, Mr. Cobden possessed the peculiar advantage of a thorough acquaintance and sympathy with the three great forms of industrial life in England. Nor were the experiences of his public career less rich and varied than those of his private life.

The first great political question in which he bore a conspicuous part, the Anti-Corn-Law agitation, and his consequent connection with the powerful producing class, which, by the fortunate coincidence of interest with that of the people at large, originated and led this great and successful struggle, gave him a thorough insight into this important element of our body-politic, in all its strength and in all its weakness; his know-

ledge of other countries—the result of keen personal observation, and much travel both in Europe and America, his intimate relations with some of their best and most enlightened men, as well as with their leading politicians, and the moderating and restraining influences of twenty years of Parliamentary life, during which he conciliated the respect and esteem even of his strongest opponents, combined with the entire absence in his case of all sectarian influences and prejudices—gave to his opinions a comprehensive and catholic character, which is perhaps the rarest of all the attributes of English statesmanship.

Mr. Cobden entered Parliament, not, as is the fate of most of our public men, to support a party, to play for office, or to educate himself for professional statesmanship, still less to gratify personal vanity or to acquire social importance, but as the representative of distinct principles, and of a great cause.

**His Moral  
Standpoint.**

Mr. Cobden belonged to the school of political thinkers who believe in the perfect harmony of moral and economical laws, and that in proportion as these are recognised, understood, and obeyed by nations, will be their advance in all that constitutes civilisation.

He believed that the interests of the individual, the interests of the nation, and the interests of all nations are identical ; and that these several interests are all in entire and necessary concordance with the highest interests of morality. With this belief, an economic truth acquired with him the dignity and vitality of a moral law, and, instead of remaining a barren doctrine of the intellect, became a living force, to move the hearts and consciences of men. It is to a want of a clear conception of this great harmony between the moral and economic law, or to a disbelief in its existence, that are to be traced some of the most pernicious errors of modern times, and the lamentable condition of Europe at the present moment.

“ Il n’y a que deux moyens,” says Bastiat, “ de se procurer les choses nécessaires à l’embellissement, et au perfectionnement de la vie—la production et la spoliation.” And again, “ Propriété et spoliation, sœurs nées du même père, Génie du Bien, et Génie du

Mal, Salut et Fléau de la Société, Puissances qui se disputent depuis le commencement l'empire et les destinées du monde."

These truths are of comparatively recent acceptance even in theory among us, and in practice still are far indeed from being applied. Such, moreover, is the confusion of thought, engendered by historical association, political prejudice, and class interest, that many of the forms of spoliation are hardly recognised when disguised in the garb of a British institution, a party principle, or a vested right ; in which artificial costume they still impose on the credulity of many of our countrymen.

It is true that war is generally admitted to be an evil, and slavery to be a wrong ; that the Reformation has dealt a heavy blow at theocracy, and Free Trade at monopoly.

But the spirit of war is still fostered and stimulated, by false ideas of national honour, patriotism, and policy, and to the art of war we still devote our mightiest efforts, and consecrate our costliest sacrifices. The grosser forms of slavery have indeed disappeared, but its taint is still to be traced in some of our institutions, and in our feeling towards subject races ; while our Reformed Church, with its temporalities, and its exclusive pretensions and privileges, is still too often the enemy of the foundation of all freedom, liberty of thought.

The last, and perhaps the most insidious, of the leading forms of "spoliation," commercial monopoly, though driven from its strongholds, and expelled from our national creed, is still regarded by many among us with secret favour, and by most of us rather as a political error than as a moral wrong.

It was to a struggle with this last great evil that Cobden devoted his life, and it is with the most decisive victory ever achieved in this field of conflict that his name and fame will be always identified ; but it is significant and interesting to know that, in selecting his work in life, it was to "Education," and not to "Free Trade," that his thoughts were first directed.

Two reasons decided him to prefer the latter as the object of his efforts :—*Firstly*, his conviction that the material prosperity of nations is the only foundation of all progress, and that if this were

once secured the rest would follow. *Secondly*, his consciousness that no direct attempt to obtain a system of national education which deserved the name, could lead to any clear result in the life of his own generation, and that, measured with those at his command, imposing as were the forces of resistance arrayed against him on the question of Free Trade, they were less formidable than those which would be brought to bear against a measure which united in a common hostility the Established and the Dissenting Churches.

It was Cobden's fate or fortune to find himself, in taking up the cause of Free Trade, in the presence of one of the worst laws which the selfishness or folly of Governments has ever imposed on the weakness or ignorance of a people.

When the soil of a country is appropriated, the only means whereby an increasing population can limit the encroachments of the proprietors, is by working for foreign markets. Such a population has only its labour to give in exchange for its requirements, and, if this labour is constantly increasing, while the produce of the soil is stationary, more of the first will steadily and progressively be demanded, for less of the last.

This will be manifested by a fall of wages, which is, as has been well observed, the greatest of misfortunes when it is due to natural causes—the greatest of crimes when it is caused by the law.

The Corn Law was the fitting sequel to the French war. The ruling classes in England had seized on the reaction of feeling created by the excesses of the French Revolution, to conceal the meaning of that event, and to discredit the principles of popular sovereignty which it asserted. They had before them a people impoverished and degraded by the waste of blood and treasure in which years of war had involved their country; and seeing the prospect before them, which the peace had opened, of a fall in the prices of agricultural produce, under the beneficent operation of the great laws of exchange, they resorted to the device of prolonging by Act of Parliament the artificial scarcity created by the war, and of thus preserving to the landed interest the profits which had been gained at the expense of the nation.

It is thus that, as the forces of progress are invariably found to act and react on each other, the forces of resistance and of evil will ever be side by side, and that as protection, which means the isolation of nations, tends both by its direct and indirect effects to war, so war again engenders and perpetuates the spirit of protection. Free Trade, or as Cobden called it, the International Law of the Almighty, which means the interdependence of nations, must bring with it the surest guarantee of peace, and peace inevitably leads to freer and freer commercial intercourse ; and therefore, while there is no sadder page in the modern history of England than that which records the adoption of the Corn Law by the British Parliament, there is, to our minds, none more bright with the promise of future good than that on which was written, after thirty years of unjust and unnecessary suffering, its unconditional repeal.

But as the intellect and conscience of the country had failed so long to recognise the widespread evils of this pernicious law, and the fatal principles which lay at its roots, so did they now most dimly and imperfectly apprehend the scope and consequences of its abolition.

It was called the repeal of a law ; admitted to be the removal of an intolerable wrong ; but we doubt whether in this country, except by a few gifted and far-seeing leaders of this great campaign, it was foreseen that it was an act which involved, in its certain results, a reversal of the whole policy of England.

This was, however, clear enough to enlightened observers in other countries. By one of those rare coincidences which sometimes exercise so powerful an influence on human affairs, it happened, that while Cobden in England was bringing to bear on the great practical questions of his time and country the principles of high morality and sound economy which had been hitherto too little considered in connection with each other, Frederic Bastiat was conceiving and maturing in France the system of political philosophy which has since been given to the world, and which still remains the best and most complete exposition of the views of which Cobden was the great representative.

It appears to us that these two men were necessary to each other. Without Cobden, Bastiat would have lost the powerful stimulant of practical example, and the wide range of facts which the movement in England supplied, and from which he drew much of his inspiration. Without Bastiat, Cobden's policy would not have been elaborated into a system, and, beyond his own immediate coadjutors and disciples, would probably have been most imperfectly understood on the Continent of Europe.

More than this, who can say what may not have been the effect on the minds of both these men, of the interchange of thoughts and opinions which freely passed between them?

In his brilliant history of the Anti-Corn-Law League, "Cobden et la Ligue," Bastiat thus describes the movement of which England was the theatre during that memorable struggle:—

"I have endeavoured to state with all exactness the question which is being agitated in England. I have described the field of battle, the greatness of the interests which are there being discussed, the opposing forces, and the consequences of victory. I have shown, I believe, that though the heat of contest may seem to be concentrated on questions of taxation, of custom-houses, of cereals, of sugar, it is, in point of fact, a question between monopoly and liberty, aristocracy and democracy—a question of equality or inequality in the distribution of the general well-being. The question at issue is to know whether legislative power and political influence shall remain in the hands of the men of rapine, or in those of the men of toil; that is, whether they shall continue to embroil the world in troubles and deeds of violence, or sow the seeds of concord, of union, of justice, and of peace.

**A Revolutionary Principle.**

"What would be the thought of the historian who could believe that armed Europe, at the beginning of this century, performed, under the leadership of the most able generals, so many feats of strategy for the sole purpose of determining who should possess the narrow fields that were the scenes of the battles of Austerlitz or of Wagram? The fate of dynasties and



empires depended on those struggles. But the triumphs of force may be ephemeral ; it is not so with the triumphs of opinion. And when we see the whole of a great people, whose influence on the world is undoubted, impregnate itself with the doctrines of justice and truth ; when we see it repel the false ideas of supremacy which have so long rendered it dangerous to nations ; when we see it ready to seize the political ascendant from the hands of a greedy and turbulent oligarchy—let us beware of believing, even when its first efforts seem to bear upon economic questions, that greater and nobler interests are not engaged in the struggle. For if, in the midst of many lessons of iniquity, many instances of national perversity, England, this imperceptible point of our globe, has seen so many great and useful ideas take root upon her soil—if she was the cradle of the press, of trial by jury, of a representative system, of the abolition of slavery, in spite of the opposition of a powerful and pitiless oligarchy—what may not the world expect from this same England when all her moral, social, and political power shall have passed, by a slow and difficult revolution, into the hands of democracy—a revolution peacefully accomplished in the minds of men under the leadership of an association which embraces in its bosom so many men whose high intellectual power and unblemished character shed so much glory on their country, and on the century in which they live ? Such a revolution is no simple event, no accident, no catastrophe due to an irresistible but evanescent enthusiasm. It is, if I may use the expression, a slow social cataclysm, changing all the conditions of life and of society, the sphere in which it lives and breathes. It is justice possessing herself of power ; good sense of authority. It is the general weal, the weal of the people, of the masses, of the small and of the great, of the strong and of the weak, becoming the law of political action. It is the disappearance behind the scene of privilege, abuse, and caste-feeling, not by a palace-revolution or a street-rising, but by the progressive and general appreciation of the rights and duties of man. In a word, it is the triumph of human liberty ; it is the death of monopoly, that Proteus of a thousand forms, now conqueror, now slave-owner ; at one time

lover of theocracy and feudalism, at another time assuming an industrial, a commercial, a financial, and even a philanthropic shape. Whatever disguise it might borrow, it could no longer bear the eye of public opinion, which has learned to detect it under the scarlet uniform or under the black gown, under the planter's jacket and the noble peer's embroidered robe. Liberty for all! for every man a just and natural remuneration for his labour! for every man a just and natural avenue to equality in proportion to his energy, his intelligence, his prudence, and his morality! Free Trade with all the world! Peace with all the world! No more subjugation of new colonies, no more army, no more navy than is necessary for the maintenance of national independence! A radical distinction between that which is and that which is not the mission of government and law; political association reduced to guarantee each man his liberty and safety against all unjust aggressions, whether from without or from within; equal taxation, for the purpose of properly paying the men charged with this mission, and not to serve as a mask under the name of outlets for trade, for outward usurpation, and, under the name of *protection*, for the mutual robbery of classes. Such is the real issue in England, though the field of battle may be confined to a custom-house question. But this question involves slavery in its modern form; for as Mr. Gibson, a member of the League, has said in Parliament, 'To get possession of men that we may make them work for our own profit, or to take possession of the fruits of their labour, is equally and always slavery; there is no difference but in the degree.'

The system of which the Corn Laws were the cornerstone, traced to its source, rested on the principle of spoliation, and on the foundation of force. That which was inaugurated by the overthrow of that law, rested on the principle of freedom, and on the foundation of justice.

Monopoly of trade, involving, as it must, the violation of rights of property and of labour, both in the internal and external relations of a State, and implying, when carried to its logical consequences, national isolation, contains within itself the germs of inevitable stagnation

and decay. To avoid these results, it is necessary that a Government which maintains it should resort to all the expedients of force and fraud—to conquest, colonial aggrandisement, maritime supremacy, foreign alliances, reciprocity treaties, and communism in the shape of poor-laws—and should perpetually appeal to the worst and most contemptible passions of its people, its national pride, to false patriotism, to jealousy, to fear, and to selfishness, in order to keep alive its prestige and to conceal its rottenness.

We are far from imputing the marvellous skill which the ruling classes in England displayed in the use of these expedients to a conscious and deliberate policy. We know that good and able men, and an honest though misguided patriotism, have been too often the blind instruments of the retributive justice which always avenges the violation of moral principles ; but there was a point beyond which even these expedients would not suffice to arrest the national decay, and with a debt of £800,000,000, an impoverished starving people, the universal distrust, and the avowed or concealed hostility of foreign nations, who had imitated our policy too closely, while growing communities of our own blood, with boundless material resources and free institutions, were outstripping us in the race of progress, and making the future competition of force impossible, a state of things had been engendered which called for prompt and vigorous remedy.

To Cobden, and his colleagues of the League, belongs the merit of having traced the disease to its source, of having stayed the progress of the poison which was slowly, but surely, undermining our national greatness, and of changing the current of English policy.

By the repeal of the Corn Laws, the false idea of isolated progress was for ever dispelled, our foreign trade became a condition of our existence, and the great law of international co-operation assumed its rightful place as the animating principle of our future course.

But though the edifice of protection was shaken at the base, and the fabric irrevocably doomed to destruction, the work was only begun : the ideas which the system had created had taken too deep root in the minds of

the governing classes, and the forces of reaction were still too powerful to allow of speedy or logical progress.

The gradual breaking-up of the protective system after the repeal of the Corn Laws was a work which must in any case have proceeded, under the pressure of the irresistible force of circumstances; but we think that justice has never been done to the Government of Lord John Russell, and his colleagues Lord Grey and Mr. Labouchere, in this respect. The equalisation of the Sugar Duties, the repeal of the Navigation Laws, the reform of our "Colonial System," were all accomplished by this administration, and few indeed have been the Governments of England which can point to such substantial services as these in the cause of progress. This course of useful domestic reform was, however, rudely interrupted by one of those events which ought to teach us the hopelessness of all permanent progress by isolated action, and the absolute necessity of always considering our position as a member of the comity of nations. The Crimean War brought once more into life and activity all the elements of the national character the most opposed to the silent and beneficent forces of moral and material progress, fatally arrested the agencies of peace which the Anti-Corn-Law League had set in motion, and has gone far to deprive us of the fruits of the great reforms which those agencies had effected.

The Royal Commission which, under Prince Albert's auspices, organised the first great Exhibition, had brought together at last, in a common and international work, the three men who seem to us to have been eminently designed to co-operate for the public good, and we cannot doubt that, if the lives of Prince and Minister had been spared a few years longer, and Peel had returned to office in 1852, he would have received the cordial support of Cobden, either in or out of office. But this was not to be; in 1846, on the occasion of the repeal, to make Cobden Minister would have been an act of political justice and wisdom for which the times were not ripe, while to accept the subordinate office which was offered him, from men who had so recently, and so reluctantly, espoused his views on Free Trade, and who so imperfectly apprehended or accepted its

ulterior consequences, would have fatally compromised his future usefulness.

He knew that there were several necessary measures which the general intelligence of the Liberal party would immediately force upon the Parliament, and his work at this moment lay in another direction. He

The "International Man."

had been the chief instrument in giving the death-blow to a mighty monopoly, in redressing a grievous wrong, and in giving food to suffering millions at home. His services as an Englishman being thus far accomplished, he entered upon his mission as an "international man."

He knew, and had measured accurately, the obstacles presented by the laws of other countries, often the too faithful reflection of our own, to the fulfilment of the grand aim of his life, the binding together of the nations of the earth by the material bonds which are the necessary and only preparation for their moral union. These laws had raised around us innumerable barriers to intercourse, and as many stumbling-blocks in the way of peace. In a tour through Europe, which often resembled a triumphal progress, he was everywhere received with interest and attention; but the sudden recantation of a policy bound up with all the traditions of England was open to too much suspicion to inspire confidence, and he was obliged to be content with sowing the seeds of much which has since borne fruit, and with inspiring new zeal and hope in the minds of the good and enlightened men who, in each centre which he visited, were labouring in the cause.

No stronger proof can be afforded of the fundamental misconception of Cobden's political character which had prevailed in England than the judgments and criticisms which it was the custom to pass upon him with reference to the class of questions to which he addressed himself on his return to public life at home. It seems to have been expected that he would have exclusively devoted himself to commercial questions, and when it was found that he proceeded to attack systematically our foreign policy, our system of government in India, our national expenditure, our military and naval administration, and our maritime laws, he was accused of going beyond his

province, and discredited as an enthusiast incapable of dealing with the great mysteries of statecraft. Those who used this language either knew too well, or not at all, that Cobden aimed at something very different and very much deeper than mere commercial reforms. In each and all of these he took, as was natural, a sincere and consistent interest, but he knew, unless aided and consolidated by collateral measures, that incalculable as would be the results to the wealth and prosperity of the country, they would not suffice to raise the lower classes of this country from their condition of moral and material degradation, and thus to rescue England from the reproach of failure in the highest ends of civilisation, and to assure for her a permanent place in the front rank of nations.

It was, therefore, that, instead of entangling himself in the snares of office, and devoting his time to the details of practical legislation, he undertook the harder and more ungrateful, but far nobler office, of endeavouring to open the eyes of his countrymen to the necessity under which they lay of preparing for fundamental changes in many of the essential principles upon which our national policy had previously been conducted, in its three great divisions—Foreign, Colonial, and Domestic. Cobden saw clearly that, unless our system of government, in all its branches, were adapted to the altered conditions of our national existence, not only would our commercial reforms be shorn of their most valuable and complete results in the elevation of the masses of the people, but that we should also incur the risk of very serious dangers. Nothing is so fatal to success in the life of individuals or of nations as a confusion of principles in action.

Under the system of monopoly it was logical enough to keep alive the chimera of the balance of power, to seek, in foreign alliances and artificial combinations of force, the security which we could not hope to derive from legitimate and natural causes. In the government of our foreign possessions it was logical to annex provinces and extend our empire, and by the display of force and the arts of diplomacy to coerce and despoil; and for both these purposes, it was necessary to maintain costly and imposing forces by sea and land, and to

cast on the people the burden of a proportionate taxation. By means such as these we might have prolonged, for two or three generations, a false and hollow supremacy, and warded off for a while the inevitable doom which awaits all false principles. But with a policy of free exchange these things are not only inconsistent, they are dangerous. They are inconsistent, because a policy of Free Trade rests on the principle that the interests of all nations lie in union, and not in opposition ; that co-operation and not competition, international inter-dependence and not national independence are the highest end and object of civilisation, and that, therefore, peace, and not war, is the natural and normal condition of civilised communities in their relation to each other. They are dangerous, because a country which is unable to feed its own population without its foreign trade, and of whose prosperity, and even existence, peace is thus a necessary condition, cannot afford, without tremendous risks, to encounter the hazards of war with powerful enemies. If such a country trusts to the law of force, by that law will it be judged, and the result must be crushing failure, disaster, and ultimate defeat. There were those who clearly foresaw and apprehended this, and deprecated the repeal of the Corn Law accordingly, but who did not perceive that the alternative was an inadequate supply of food for a third of our population.

From this point of view, the "balance of power" can only be sought in the free development of the natural forces, whether of morality, intelligence, or material wealth, residing in the different countries of the earth, and the balance will always be held (to use the expression of William III., in his address to Parliament, quoted by Mr. Cobden in his paper on "Russia"), so far as any one State can pretend to do so, by the country which, in proportion to its powers, has economised its material resources to the highest point, and acquired the highest degree of moral ascendancy by an honest and consistent allegiance to the laws of morality in its domestic policy and in its foreign relations. The acquisition of colonies and territories, formerly required to afford new fields for monopoly, and defended on the plea that outlets were necessary for our trade, while our

ports were closed to our nearest and richest neighbours, appeared in its true light as a waste of national influence, and a costly and useless perversion of national wealth, when all the countries of the earth became our customers, and England the metropolitan *entrepôt* of the world. Large standing armies and navies, with their necessary accompaniments of heavy, and, because heavy, unequal and indirect taxation, are only rational in countries which are constantly liable to war, and cannot therefore be equally required under a system which relies on moral influence and on international justice, as under one which depends on force and monopoly.

To summon into existence a principle, which in all human relations shall assert the right of property, in mind and in matter, in thought and in labour, and to secure this right on its only true foundation—the universal rule of justice and freedom—is to evoke a force which is destined to root up and destroy the seeds of discord and division among men; to bind up the nations of the earth in a vast federation of interests, and to bring the disorders and conflicting passions of society under the domain of law. To promote all the agencies through which this force can act, and to repress all those which oppose its progress and neutralise its operation, and for this purpose to analyse and expose to view these several agencies, both in their causes and in their effects, eternally acting and reacting on each other, was the task which Cobden set himself to accomplish.

It was inevitable, with these objects in view, that Cobden was often obliged to raise discussion upon questions which, to ordinary minds, appeared somewhat chimerical, and to propose measures which were in the nature of things premature; that he should give to many the impression of wasting his strength on matters which could not be brought to an immediate practical issue, and in the agitation of which he could not hope for direct success. It will be found, however, that although there often existed no possibility of realising or applying his projects at the time of their enunciation, these were always themselves of an essentially practical character, and inseparably connected



with each other ; and that, although presented as occasion served, from time to time, and as the nature of his mission required, in a fragmentary and separate form, they each and all formed the component parts of a policy coherent and complete, and destined, we trust, to a gradual but ultimate fulfilment.

The programme which Cobden appears to have set before him in the construction of a policy embraced the following objects :—

**Cobden's  
Programme.**

1. Complete freedom of trade throughout the British Empire with all the world, exclusive for the present (as a practical necessity) of restrictions indispensably requisite for fiscal purposes.

2. The final and unqualified abandonment of a policy of conquest and territorial aggrandisement in every quarter of the world.

3. The adoption of the general principles of *non-intervention* and arbitration in our foreign policy, publicity in all the transactions of diplomacy, and the renunciation of all ideas of national preponderance and supremacy.

4. The reduction of military and naval forces by international co-operation.

5. A large reduction of taxation.

6. A reform in the laws affecting land.

7. Freedom of the press from all taxes, happily stigmatised by Mr. Milner Gibson as taxes on knowledge.

8. A reform of maritime law.

We do not include in this programme the two great measures of National Education and Parliamentary Reform because, although essential to the progress and security of government, and as such of course enlisting Cobden's sympathy, they are, after all, the means and not the end of good government ; and we are disposed to think that he felt that his peculiar powers could be more usefully devoted to the assertion of the principles on which governments should be conducted than to the construction of the machinery out of which they should be elaborated. We will endeavour to give briefly an outline of what appear to have been Cobden's views on the leading divisions of national policy which

the foregoing programme was designed to affect. We have said that the central idea of the national policy represented by Cobden was "Free Exchange" in the most comprehensive meaning of that term as the necessary complement of personal freedom, and the full assertion of the rights of property and labour. The realisation of this idea logically involves all the consequences which Cobden aimed at promoting by direct or indirect efforts.

*Foreign Policy.*—In the field of foreign policy these consequences were immediate and obvious. The principle of foreign policy under a system of monopoly is national independence—in other words, "isolation;" under that of free exchange it is international interdependence. We have already observed upon the bearing of this latter principle on the doctrine of the balance of power, and pointed out the fundamental difference between a policy which proceeds on principles of international morality, and appeals to the common interests of all nations of the earth, and one which rests on ideas of national supremacy and rivalry. But in the practical application of the Free Trade foreign policy, there has been so much misunderstanding of Cobden's views, and, as we think, so much confusion of thought even among advanced Liberals that a few further remarks may be useful. This policy is ordinarily characterised by the name of *non-intervention*. In some respects this designation has been an unfortunate one. It has given colour to the idea that what was desired was a blind and selfish indifference to the affairs of other countries, and a sort of moral isolation, as foreign to the principle of international interdependence as it is impossible in connection with increased material intercourse.

Cobden never, as far as we are aware, advanced or held the opinion that wars other than those undertaken for self-defence were in all cases wrong or inexpedient. The question, as we apprehend it, was with him one of relative duties. It is clear that the duty and wisdom of entering upon a war, even in defence of the most righteous cause, must be measured by our knowledge and by our power; but, even where our knowledge is complete and our power sufficient, it is necessary that,

in undertaking such a war, we should be satisfied that, in doing so, we are not neglecting and putting it out of our reach, to fulfil more sacred and more imperative duties. The cases are rare in the quarrels of other nations, still rarer in their internal dissensions, in which our knowledge of their causes and conditions, and our power of enforcing the right, and assuring its success, in any degree justifies us in armed interference—the last resort in the failure of human justice.

But even if these difficult conditions of our justification in such a war were satisfied, the cases must be rare indeed in which, with a population of which so large a part is barely receiving the means of decent existence, and another part is supported by public charity at the expense of the rest, and at a charge of nearly £10,000,000 per annum, this country would be justified in imposing on our labouring classes (on whom, be it remembered, the burden must chiefly fall) the cost of obtaining for another people a degree of freedom or a measure of justice which they have so imperfectly secured for themselves. Such a course is certainly not defensible unless the people have a far larger share in the government of their country than they possessed during Cobden's life in England.

When we add to these considerations the singular inaptitude of the governing classes of this country to comprehend foreign affairs, the extraordinary errors which are usually to be observed in their judgments and opinions on foreign questions, and the dangerous liability to abuse in the hands of any government, of the doctrine of "Blood and Iron," even if it be sometimes invoked in a just cause, we shall, we think (without asserting that it must be inflexibly enforced), acknowledge the sober wisdom of Cobden's opinions, that, for all practical purposes, at least for this generation, the principle of non-intervention should be made, as far as general principles can be applied to such questions, the rule of our foreign policy.

Let those who sneer at what they consider a sordid and ungenerous view, reflect on the history of the past, and ask themselves what is to be the hope of humanity if the motives which have hitherto regulated the policy of our country are in future to determine the intercourse

of nations. Let them look back upon the great French war, not as it is interpreted by Cobden in his most instructive paper in the work before us, but read by the light of those teachers of history who see in it a proud record of England's glory and power in vindicating the liberties of mankind, and satisfy their conscience, if they can, of the righteousness of a cause which required the aid of Holy Alliances, the legions of despots, and a campaign which terminated in the Congress of Vienna, and which ended in the suffocation of popular rights for half a century, the enactment of the English Corn Law and all that it represents, and a condition of Europe which even now almost precludes the hope of real civilisation.

*Colonial Policy.*—There is no branch of the national economy in which the neglect of Cobden's principles has led to more glaring and lamentable results than in that between the mother country and its possessions. The inability even of the Government which was borne to power on the shoulders of the Anti-Corn-Law League to apprehend the scope and importance of Free Trade is in no direction more strikingly manifested than in the colonial policy.

Would it not have been possible, when the right of self-government was conferred upon our colonial possessions, to have stipulated, as a necessary condition, and as a great and fundamental rule of imperial policy, the complete absence of Protection throughout the dominions of the Crown? Instead of this, the most confused idea prevailed, and still prevails, as to the limits of colonial self-government in adopting a commercial policy opposed to the principles and interests of the mother country.

The colonies have been allowed to impose protective duties on British manufactures, and on those of foreign countries. They are allowed to protect: would they be allowed to prohibit? for it must be remembered that protection, so far as it restricts a trade, is nothing more nor less than prohibition to that extent; and if not to prohibit, where is the line to be drawn, at duties of 20, or 30, or 50, or 100 per cent?

It is clear that the right of absolute self-government involves the corresponding duty of self-support and

self-defence ; but the colonies are far from having undertaken the latter. If such sacrifices as these are imposed on the British taxpayer, has he not a right to be allowed to trade on equal terms with his colonial fellow-subjects? Cobden never lost an opportunity of protesting against this last misappropriation of the money of the old country, and of exposing the secret connection of this feature in our policy with the perpetuation of pretexts for increased armaments.

It is painful to think of the contrast between our present position and prospects as a nation, and that which it might have presented, had the foundations of our colonial empire been laid broad and deep in commercial freedom. Is it yet too late? Is no effort yet possible towards such a consummation?

*Eastern Policy.*—The British rule in India was to Cobden a subject of the deepest anxiety and apprehension. His paper entitled “How Wars are got up in India” is an honest and indignant criticism upon an episode in our Indian history which has only too many parallels, and gives expression to one of his strongest convictions, viz., the retribution which one day awaits the lust of power and of territorial aggrandisement, and the utter disregard of morality so often exhibited in our dealings with the races of this great dependency. But in our Eastern policy much progress has been made since Cobden’s time, and we have seen, we trust, the dawn of a better day.

*Reduction of Military and Naval Expenditure.*—The changes advocated by Cobden in our foreign and colonial policy necessarily involved a large reduction in our military and naval establishments, and to this object his most strenuous efforts were constantly directed ; but here the difficulties which he had to encounter were enormous, and the Crimean war and its results throughout Europe have rendered all attempts at reform in this branch of our national economy hitherto unavailing.

**Profligate  
Militarism.**

In attacking our “Services” he not only had to contend against powerful interests connected with almost all the families of the upper and middle classes of the country, but also against many honest, though

mistaken, opinions as to the causes of national greatness and the sources of our power. It was the widespread prevalence of such opinions, combined with the selfish influence of the worst element in British commerce, which led, on the occasion of the Chinese war in 1857, to the rejection of Cobden by the West Riding, and of Bright and Gibson by Manchester. The class of ideas symbolised by the "British Lion," the "Sceptre of Britannia," and the "Civis Romanus," irrational and vulgar as they are, have nevertheless a side which is not altogether ignoble, and are of a nature which it requires more than one generation to eradicate.

Cobden approached this question of reduction by two different roads. He endeavoured to bring to bear upon it international action, by arrangements for a general limitation of armaments, in which, as regards France, there appeared more than once some possibility of success, and in which he was cordially supported by Bastiat in the years succeeding the repeal of the Corn Laws; he also sought, by every means in his power, to urge it on his countrymen, by appeals to their good sense and self-respect. He exposed, firstly, our policy; and secondly, our administration; and showed, with irresistible arguments, that while the one was unsound, the other was extravagant; and that thus the British people were condemned, not only to provide for what was useless and even dangerous, but at the same time to pay an excessive price for it.

He tells us in his article on Russia, vol. i. p. 309—

"If that which constitutes cowardice in individuals, viz., the taking excessive precautions against danger, merits the same designation when practised by communities, then England certainly must rank as the greatest poltroon among nations."

It is incontestable that the extent of our precautions against danger should be proportioned to the degree of that danger, and it cannot, we think, be denied, even by those who are the most disposed to connect the greatness and security of England with the constant display of physical force, that as our liability to war has diminished, our preparations for it should also diminish; and that it is as irrational to devote to our

"Services" in a period of "Free Trade," colonial self-government, and non-intervention, the sums which were wrung from our industry in an epoch of monopoly, of colonial servitude, and of a "spirited foreign policy," as it would be to pay the same insurance on a healthy as on a diseased life.

For what are the causes (under her own control) which render a country liable to war?

They may, for present purposes, be classed under the following heads :—

1. The disposition to engage in wars of conquest or aggression.

2. The necessity of maintaining, for the purpose of repressing liberty at home, large standing armies, which a Government may be compelled to employ in foreign wars, either to gratify the military spirit engendered by the existence of a powerful service, or to divert public attention from domestic reforms.

3. The habitual violation of the rights of labour and property in international relations, by prohibitive and protective laws of trade.

4. The policy of providing outlets for trade, and of introducing what are called the agencies of civilisation, by means of consuls and missionaries, supported by gunboats and breech-loaders.

5. The pretension of holding the balance of power, and of interfering, with this object, in the affairs of other nations, with its result, the theory of armed diplomacy, which aims, by a display of force, at securing for a country what is assumed to be its due influence in foreign affairs.

All these motives would be absolutely removed under a system of government such as that which Cobden advocated, and even now they are, we believe, very generally discredited, with the exception perhaps of the last, which must, however, be so cut down and modified in order to be a pretext for military armaments as to lose its general character.

With the rejection of the doctrine of the "balance of power," a fruitful source of dangerous meddling in the affairs of foreign countries has been cut away. There only remains, therefore, the limited form of armed interference in foreign affairs to which we have

already adverted, and which it is still thought by many among us, and even by a large section of the Liberal party we should be prepared to exert in certain events, and for which, if the principle be admitted, some allowance must be made in estimating the extent of our military and naval requirements.

We refer to the supposed duty of England to resort to war in possible cases for the purpose of defending the principles of free government or international law, or of protecting a foreign country from wanton or unjust aggression. On this subject we have already stated what we believe to have been Cobden's view; but, whatever margin may be left for this consideration, it must be admitted by candid reasoners that the liability of the country to war under a policy such as that of which the general outlines have been traced would be reduced within narrow proportions.

Cobden was often blamed for not devoting more time and labour to the task of minute resistance to the "Estimates" in the House of Commons. This was the result of his perfect conviction, after years of experience and observation, that such a course was absolutely useless, and that no private member, however able or courageous, could cope in detail with the resources at the disposal of Government in evading exposure and resisting reductions. He therefore always insisted that the only course was to strike at the root of the evil, by diminishing the revenue and the expenditure in the gross.

*Taxation.*—This brings us to our next topic, which is inextricably bound up with the last, viz., the reduction of the national expenditure, and the consequent diminution of taxation, objects the importance of which is becoming yearly more vital. Cobden knew that no material reform in our financial system could be effected (for all that has been hitherto done has been to shift the burden, and not to diminish it) until our external policy was changed, and hence his incessant efforts in this direction; but he also knew that the surest method of accomplishing the latter object was to diminish the resources at the disposal of Government for military and naval purposes.

The first object in financial reform was, therefore,



in Cobden's opinion, the gradual remission of indirect taxation.

In a letter to the "Liverpool Association" he made use of the remarkable expression that he considered them to be *the only body of men in the country who appeared to have any faith in the future of humanity.*

His objects were threefold, and they are to our mind conclusive :—

"1. The dangerous facilities indirect taxes afford for extravagant and excessive expenditure, by reason of their imperceptibility in collection, and of the consequent readiness of the people to submit to them, and also of the impossibility of insuring a close and honest adaptation of the revenue to the expenditure.

"2. Their interference with the great law of free exchange, one of the rights of property, and (so far as customs duties are concerned) the violation of international equity which they involve ; for it is obvious that the conditions of international trade are essentially affected by taxes on imports and exports, and it is impossible to apportion them so as to insure that each country shall pay neither more nor less than its own due share.

"3. The enhancement of the cost of the taxed article to the consumer, over and above the amount of the tax."

The root of the evil may again be traced to the infringement, in the case of indirect taxes, of the great law of "free exchange of services, freely debated." A tax is nothing more than a service contributed to the State by the people, in return for a corresponding service rendered to the people by the State. The great object, therefore, in imposing a tax should be to connect it as closely as possible with the service for which it is required, and to facilitate as far as possible a close comparison between the two. The superiority of a direct tax, like the income-tax and the poor-rate, over taxes on consumption and on trade, from this point of view, is apparent ; but such is the distorted view of large classes in the country on this subject, that they consider what we have characterised as the great vice of indirect taxation as its chief and distinguishing merit, and that the supreme art of government consists

in extracting from the pockets of the people, by a sort of "hocus pocus," the largest possible amount of money without their knowing it.

Do those who with so much *naïveté* repeat this argument whenever this question is discussed, ever reflect, that to drug the taxpayer before he pays his money will in no degree diminish the evil to a country of excessive taxation, and that ignorance and irresponsibility are not the best securities for an efficient and conscientious administration of our public affairs?

If it be objected that indirect taxation is the only method by which the masses of the people can be made to contribute their share to the revenues of the State, we reply that if the condition of the masses of the people in any country is such as to place them beyond the reach of direct taxation, it is the surest proof that the whole national economy is out of joint.

The fulfilment of this policy should, we think, be rigorously exacted from every Liberal Government, till no taxes of customs or excise remain upon the statute-book, save those on tobacco and spirits, which our heritage of debt has placed it beyond the pale of hope to remove by any scheme of practical and proximate reform.

*Land.*—Cobden held that the growing accumulation in the hands of fewer and fewer proprietors of the soil of the country was a great political, social, and economical evil; and as this tendency is unquestionably stimulated by the system of our government, and some of our laws, which give it an artificial value, he foresaw that one of the principal tasks of the generation which succeeded him must be to liberate the land from all the unnecessary obstacles which impede its acquisition and natural distribution, and to place it under the undisturbed control of the economic law. It is obvious that laws which keep land out of the market—laws of entail, laws of settlement, difficulties of transfer, as well as a system of government which gives to the possession of land an artificial value, for social or political purposes, over and above its natural commercial value—must have the inevitable effect of restricting the quantity, of enhancing the price, and of diminishing the product

A Legacy of  
Reform.

to be obtained. Land thus acquires a monopoly price, small capitals are deterred from this form of investment, competition is restricted, production is diminished, and the condition of those who live by the land, as well as of those who exchange the produce of their labour for the produce of the land, is necessarily impaired.

In his speech at Rochdale, in November, 1864, which was his last public utterance, Cobden especially left this task as a legacy to the younger men among us, and told them that they could do more for their country in liberating the land than had been achieved for it in the liberation of its trade.

*Maritime Laws.*—On the question of “Maritime law,” it is well known that he advocated the largest extension of the rights of neutrals, and the greatest possible limitation of the rights of belligerents, as a necessary and logical accompaniment of a Free Trade policy. His views on this subject will be seen from a letter addressed to Mr. H. Ashworth, in 1862, in which he recommends the following three reforms:—1. Exemption of private property from capture at sea during war by armed vessels of every kind. 2. Blockades to be restricted to naval arsenals, and to towns besieged at the same time by land, except as regards contraband of war. 3. The merchant ships of neutrals on the high seas to be inviolable to the visitation of alien Government vessels in time of war as in time of peace.

In this letter he observes—“Free Trade, in the widest definition of the term, means only the division of labour by which the productive powers of the whole earth are brought into mutual co-operation. If this scheme of universal independence is to be liable to sudden dislocation whenever two Governments choose to go to war, it converts a manufacturing industry such as ours into a lottery, in which the lives and fortunes of multitudes of men are at stake. I do not comprehend how any British statesman who consults the interests of his country and understands the revolution which Free Trade is effecting in the relations of the world can advocate the maintenance of commercial blockades. If I shared their views I should shrink from promoting the indefinite growth of a population whose means of

subsistence would be liable to be cut off at any moment by a belligerent power, against whom we should have no right of resistance, or even of complaint.

“It must be in mere irony that the advocates of such a policy as this ask—Of what use would our navy be in case of war if commercial blockades were abolished? Surely, for a nation that has no access to the rest of the world but by sea, and a large part of whose population is dependent for food on foreign countries, the chief use of a navy should be to keep open its communications, not to close them! I will only add that I regard these changes as the necessary corollary of the repeal of the Navigation Laws, the abolition of the Corn Laws, and the abandonment of our colonial monopoly.”

In most of the foregoing questions, Cobden, as we have said, was contented to preach sound doctrine, and to prepare the way for the ultimate adoption of principles of policy and government, which in his time he could not hope to see prevail. But he was destined, before the close of his career, once more to engage in a great practical work, and to identify his name with an accomplished success, scarcely inferior in its scope and results to the repeal of the English Corn Law.

This was the Commercial Treaty with France.

As the Corn Law was the great stronghold of monopoly in England, so was the prohibitive system in France the key-stone of protection in Europe, and Cobden selected these accordingly, with the unerring instinct of real statesmanship, as the first points for attack, and fastened upon them with a tenacity and resolution which insured success.

Fifteen years had elapsed since England had renounced, in principle at least, the false system of commercial monopoly, and, in Cobden's words quoted above, “thrown away the sceptre of force, to confide in freedom.” She had trusted to the teaching of her example, and to the experience of her extraordinary success, in leading the countries of Europe to answer to her appeal for co-operation in liberating trade, and vindicating the rights of labour; but she had met with slight response. Our conversion was perhaps too recent, our course still too inconsistent, and our motives too much open to suspicion, to make this surprising,

and, so far as France was concerned, we had unfortunately contrived in all our reforms to retain in our tariff restrictions upon the staple articles of French production, wine and silk. The time had come when, unless some new impulse could be given to international intercourse, the forces of reaction might have again acquired the ascendancy, and European progress have been thrown back for years.

Our relations with France were those of chronic distrust and rivalry. The cry of *Perfide Albion* in France too often resounded in our ears; and the bugbear of French invasion was successively invoked on this side of the Channel no less than three times in the period we are considering. This was a state of things fraught with danger. Monopoly had borne as usual its deadly fruits, in alienating two great nations destined by nature for the closest relations of friendship and mutual dependence, and in fostering in both the spirit of war. It was under circumstances such as these that Cobden set his hand to the great work of co-operation which led to the Commercial Treaty.

Bastiat, who would have hailed with delight this tardy reparation of the defects in our reformed commercial system which he always deplored, was no longer alive to aid the cause; but to one of the most distinguished of modern French economists, Michel Chevalier, is due, in concert with Cobden, the merit of the scheme with the Governments of England and France were induced to adopt, which has opened to us the prospect of a new era of progress, in the gradual union of the nations of Europe in a great commercial federation, and in laying the foundations of a civilisation which may yet keep pace with that now dawning on our race in the Anglo-Saxon republics of the Western world.

As Cobden saw in his beneficent work the hope of a new era of peace, and of liberal progress in Europe, as its certain fruit, so did his opponents instinctively perceive that his success would carry with it the doom of the traditions of hatred and of fear, which the Governments of Europe had too often successfully invoked, to plunge the people into wars of which they are the invariable victims, and to keep alive the rumours of

war, which have deprived them of the solid fruits of peace. So long as the political condition of Europe is such as to render necessary or possible the large armaments which are a reproach to our age and boasted civilisation, while millions of men, in the flower of their age, are taken from productive industry, and supported by the labour of the rest of the population, no real and permanent progress can be made in the emancipation of the people, and in the establishment of free institutions. It was in the consciousness that by breaking

**The French  
Treaty.**

down the barriers to commercial intercourse between England and France, a greater impulse would be given than by any other event to the forces of progress in Europe, that the men who in both countries undertook and completed this international work entered upon their task. We speak freely of this episode in Cobden's life, but it is necessary to vindicate his policy from charges which, although forgotten and overwhelmed in its extraordinary success, were brought against it too commonly, and from quarters whence it ought least to have been expected.

In France Cobden was reproached by many of his earlier friends, whose sympathies were bound up with the Orleanist or Republican *régimes*, and who viewed with a natural aversion the Second Empire, for contributing to a work which, if successful, might do more than anything else to consolidate the Imperial reign. He replied, that what the immediate effect might be he neither knew nor cared, but that all the forces of freedom were "solidaires," and that the ruler who gave "Free Trade" to the nation, whether King, President, or Emperor, was doing that which, more than anything else, would assure the future liberties of France. The same causes operated in many quarters to make the Treaty unpopular in England; but he was also assailed in a more insidious form. He was accused of having forgotten or forsaken the sound doctrines of political economy, of which he had in his earlier life been the uncompromising advocate, and of having revived the discarded policy of "reciprocity treaties." The system of reciprocity treaties and tariff bargains was one of the natural but most pernicious developments of the doc-

trines of protection. These arrangements aimed at the extension of the limits of monopoly, by securing for our products protection in a foreign country against the competition of all other countries, and always proceeded on the supposed interest of the producer, to the injury of the consumer. They were logical, when it was believed or professed that the reduction of a duty was a sacrifice on the part of the country making it to the country in whose favour it was made. From this point of view it was natural, in making such reductions, to demand what were thought to be equivalent concessions from the country with which we were treating, and the supreme art of negotiating was held to consist in framing what had the appearance of a "nicely adjusted balance of equivalents," but in which each country secretly desired, and sought to obtain, the maximum of reductions from the other, against the minimum of its own. But from the Free Trade point of view, in which all reductions of duties, at least so far as productive duties are concerned, are an admitted and positive gain to the country making them, it becomes absurd and impossible to use them as the ground of a claim on a foreign country for compensating, or equivalent, remissions.

The French Treaty had no affinity, except in form, to treaties such as these. Instead of a bargain in which each party sought to give as little and to get as much as possible, it was a great work of co-operation, in which the Governments of England and of France were resolved, on both sides, to remove, within the limits of their power, the artificial obstacles to their commercial intercourse presented by fiscal and protective laws. England had already spontaneously advanced much further than France in this direction, and hence alone, if for no other reason, all idea of "equivalent" concessions was out of the question. She contributed her share to the work by sweeping from her tariff, with some trifling exceptions, all trace and remnant of protection, and by reducing her fiscal duties upon wine and brandy. France, unable at one stroke to destroy the whole fabric of monopoly, nevertheless made a deadly breach in the edifice by substituting moderate duties for prohibition in the case of the chief British

exports. If these reforms had been made exclusively in each other's favour they might have been justly open to the charge of unsoundness, but they were made equally for the commerce of all the world, on the side of England immediately, on the side of France prospectively; and thus, instead of reverting to a system of monopoly, the prohibitive and differential policy of France was annihilated, and the equal system of England maintained and consolidated.

But the consequences of the Treaty with France were not confined to that country and to England. It was an act which, both by its moral effect and its direct and necessary influence on the legislation of the other Continental countries, has set on foot a movement which grows from year to year, and will not cease till all protective duties have been erased from the commercial codes of Europe.

It was thus the rare privilege of the man who had been the foremost in giving the death-blow to monopoly in England to be also among the first to storm the citadel of protection on the Continent and to give to the work which he commenced at home a decisive international impulse, destined to afford new securities for the most sacred of human rights—the right of labour, and to add “new realms to the empire of freedom.”

Cobden had yet another success awaiting him, to our mind the most signal triumph of his life. He lived to see the great moral and economic laws, which he had enforced through years of opposition and obloquy, asserting their control over the forces of reaction and moulding our foreign policy. It must have been with a superb and heartfelt satisfaction that Cobden watched the conflict of public opinion at the time of the Danish War. The diplomatic intervention of the Government had brought us to the verge of war and made it more than usually difficult to retreat. The old instincts of the ruling classes of the nation were thoroughly aroused, and unless they had been neutralised and overpowered by stronger and deeper forces, we should, under a fancied idea of chivalry and honour (if anything can deserve these names which is opposed to reason and duty), have squandered once more the hard-earned



heritage of English labour in a war of which the causes and the merits were for the most part unknown among us, and could never have been made intelligible to the nation, and in which our success, if possible, might have thrown back all liberal progress for years, both in England and on the Continent. But it soon became manifest that a nobler and larger morality had been gaining ground in the heart of the nation, had at last found its expression in the Councils of the State, and had enforced its control over those who still believed that the mission of England is to hold by force the balance of power in Europe.

The memorable debate which decided the course of our policy in this critical moment decided far greater issues ; and the principle of "non-intervention," as it has been explained above, the only hope for the moral union of nations and the progress of freedom, became the predominating rule of our foreign policy.

In reviewing the political programme given in the preceding pages, we shall see that while much has been done far more remains to do ; and that, although there is great cause for hope, there is also much ground for fear.

Of all the dreams in which easy-going and half-hearted politicians indulge, the idlest appears to be that in which it is fondly imagined that the days of party strife are over and that no questions lie before us, on which the majority of moderate and honest men are not agreed. It is useless to shut our eyes to the fact that before the future greatness and prosperity of our country can be assured, great issues must be raised and fierce political struggles traversed. We have a firm and confident belief that the forces on the side of progress are sufficient to achieve what is required for this consummation by peaceful and constitutional reform ; but the cause will not be won without strenuous efforts.

It will not be won without the aid of men who, in the measure of their gifts, will bring to bear upon the task the qualities of which in Cobden's life we have such enduring proofs : pure morality, keen intelligence, perfect disinterestedness, undaunted courage, indomit-

able tenacity of purpose, high patriotism, and an immovable faith in the predestined triumph of good over evil.

That the principles of public morality which Cobden devoted his life to enforce will ultimately prevail in the government of the world we think that no one who believes in God or man can doubt. Whether it be in store for our country first to achieve by their adoption the last triumphs of civilisation and to hold her place in the van of human progress, or whether to other races and to other communities will be confided this great mission, it is not for us to determine.

But those who trust that this may yet be England's destiny, who, in spite of much which they deplore, delight to look upon her past with pride and her future with hope, will ever revere the memory of Cobden as of one whose lifelong aim it was to lay the foundations of her empire in her moral greatness, in the supremacy of reason, and in the majesty of law—and will feel with us that the "international man" was also, and still more, an Englishman.

COBDEN  
ON THE  
LAND QUESTION:  
A PLEA FOR  
SMALL HOLDINGS.



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# COBDEN ON THE LAND QUESTION.



‘All ancient legislators, especially Moses, grounded the success of their ordinances concerning virtue, justness, and morality upon securing hereditary estates, or, at least, landed property, to the greatest possible number of citizens.’—NIEBUHR.

At the annual meeting of the Romsey Labourers’ Encouragement Association, the Hon. William Cowper, who presided in the absence of Lord Palmerston, in alluding to the ‘disadvantages and privations to which the agricultural labourer is exposed,’ is reported to have said: ‘I do not allude to such imaginary grievances as that of the tillers of the soil [not] having any share in the ownership of the land. Such a complaint as that rests upon a fallacy and a delusion. If it were possible to make the labourers the owners of the land which they are tilling it would be a retrograde movement in agriculture. The great progress in agriculture of late years has been due to the concentration and application of capital to an amount of land which is sufficient to justify the favourable employment of their capital; and it would be going back to times of less prosperity—it would be following the example of countries less prosperous

than England in agriculture—if we were to aim at such an absurd and impossible object.’ (Hear, hear.)

The above argument may be called generic, for it expresses the views of the class which has possession of the soil of this country. Lord Palmerston gave utterance to similar opinions, on Mr. Maguire’s motion in the House, when he deprecated any change which should ‘reduce the occupiers of the Irish soil’ to the condition of the French peasant proprietors; and it is not reported that there was a roar of laughter at this grim joke.

Now nobody has, I believe, proposed that we should adopt in England the French law of succession; but it pleases those who are the advocates of the Land Laws of this country to bring forward the peasant proprietor of France as a sort of ‘old bogey’ to frighten us into the love of our own feudal system. This compels those who desire any amelioration of the present system to meet them on their own ground. I propose, with your permission, and with the aid of such high authorities as I shall cite, to offer to your readers the materials for forming a judgment upon the state and prospects of the peasant proprietary of France.

Two questions are presented to us in connection with this subject: What are the moral and what are the economical effects produced by the division of the land of a country among its own people? In France, Switzerland, Norway, Germany, Belgium, the Channel Islands, and in the United States the land is, as a rule, the property of those who cultivate it. The same state of things prevails more or less, or is being rapidly developed, in Italy, Spain, Russia, Hungary, and other countries. England is the only great

country where feudalism still rules the destinies of the land, and where the owners of the soil are constantly diminishing in number. I will, however, confine myself to France, because it is the country where the system under consideration may be said to have originated, and which furnishes an example on the largest scale of extreme and uniform division of land, and because, being the country most often referred to in condemnation of the system, and from its proximity and the high character of the authorities to be quoted, it affords the most satisfactory materials for forming a correct judgment on the matter.

Now, looking at the moral aspect of the question alone, nobody will deny the advantages which the possession of landed property must confer upon a man or a body of men—that it imparts a higher sense of independence and security, greater self respect, and supplies stronger motives for industry, frugality, and forethought than any other kind of property. But we have not to weigh the various moral influences produced by the ownership of different kinds of properties. The question really is between owning land or possessing nothing; for in proclaiming that the whole class of agricultural labourers must for ever abandon the hope or ambition of becoming land-owners, they are virtually told that they can never emerge from the condition of weekly labourers; for the tillers of the earth can, as a class, rise to wealth only by sharing in the possession of the soil. Let us see to what proportion of the agricultural population this proscription extends.

By the last census tables of the occupations of people it appears that in England and Wales there are, in round numbers, 15,100 landed proprietors and

1,100,000 farm labourers. The classification of the proprietors may be wanting in accuracy, but it is enough to know that, taking the whole United Kingdom, while the owners of the soil are reckoned by thousands, its cultivators must be counted by millions. The farmers and graziers in England and Wales, 220,000 in number, have in a vast majority of cases no property in the land they occupy, but as it is not yet proposed to put them under the ban of perpetual exclusion from the class of proprietors, the moral aspect of the question does not affect them to the same extent as the labourers. Now, the whole question as between the millions of peasant proprietors in France and the millions of farm labourers in England is summed up in a few words by M. Passy, in a small volume entitled, 'Des Systemes de Culture en France, et de leur Influence sur l'Economie Sociale,' which should be read by all who take an interest in this question. 'As for the idea, so often reproduced,' says he, 'that large farms contribute more than small to the welfare of the population employed on them, it scarcely deserves notice. The whole difference between the two systems is that in the one case there are few masters and many hired labourers—in the other, more masters and fewer hired labourers. Now, should not that be a sufficient reason for preferring the latter?' Bearing in mind that, in speaking of small farms, M. Passy means small freeholds, can we doubt, were his question put to the British peasant instead of the landowner, what his answer would be?

But upon the moral aspect of the question there cannot be two opinions, and therefore it does not admit of controversy. On the Continent the verdict on this view of the question is unanimously in favour



of small landed properties; and, unless we in England are insincere in the arguments we address to the working classes to induce them to become depositors in savings banks, or to enter the ranks of distributors and producers by means of 'co-operation,' we shall also admit that to become a small freeholder would elevate the labouring man in the scale of society. This has been proved by experience on the largest scale in France, where five millions of landed proprietors, every one a voter, constitute the foundation of the social and political edifice, and of whom rulers and orators delight to speak as the pride and safeguard of the State. If we would realise the contrast presented by the abject condition of our own peasantry, it is afforded by such incidents as that of the speaker at the above-named meeting telling his patronised audience (and an audience listening acquiescingly!) that for them the acquisition of a plot of land was 'an absurd and impossible object,' or by a recent picture in *Punch* where, on the occasion of a hint having been uttered that land and votes might be possessed by the same class in England as in France, the British peasant was caricatured in a form which conveyed the impression of a cross between an Aztec and a New Zealander.

But it is on the second or economical branch of the subject—namely, the effect of small landed properties on the progress of scientific agriculture—that the great controversy really arises. Can what is called high farming be carried on successfully where the land is cultivated by peasant proprietors? It might almost be a sufficient answer to say that the highest standard of agriculture is horticulture, which is always conducted on a diminutive scale. This,

however, would be to evade the major half of the question, whether, on small properties farming can be pursued with the same economy as on large—whether the net proceeds, after deducting the cost of production, can be as great in the one case as the other. On this point, the influential public opinion of England has been resolutely on the side of the great farms. Not content with preferring our own system, we have, as is our English wont, passed summary condemnation on those who have not conformed to our standard. Mr. M'Culloch, with his usual dogmatism, took a prominent part nearly forty years ago in denouncing the division of land as it is practised by our neighbours, predicting that, if it were continued for another half-century, 'France would become the greatest pauper warren in Europe.' Thirty years after this rash prophecy M. Passy published a second edition of his '*Systemes de Culture*,' in which the important question is discussed in all its aspects. M. Passy was a peer of France under Louis Philippe, and afterwards filled the post of Minister of Finance. He is a considerable landed proprietor, and ranks as one of the most distinguished political economists of France. It would be difficult to find a person combining higher qualifications for his task, and the result of his investigations is a decided preference, on economical, social, and moral grounds, of the French system to that of this country. He shows, as, indeed, all the accredited French authorities show, that the evils of the subdivision of land, as it is practically carried out in France, are much exaggerated, indeed, caricatured by its opponents; that the enforced division of the property of a deceased parent among his children does not neces-

sarily involve the partition of the land ; that arrangements are often made by which one of the family takes the estate, paying the co-heirs a compensation in money, or the whole is sold and the proceeds are divided ; and thus, as the Government statistics prove, the separate landed properties of France are not increasing in number in proportion to the increase of the population—in short, experience shows, as common sense might have foreseen, that as men do not cut up their cloth or leather to waste, so neither will they, as a rule, sub-divide that which is far more precious—the land—into useless fragments.

M. Passy gives us the following deductions as the result of his investigations: '1, That in the present state of agricultural knowledge and practice, it is the small farms (*la petite culture*) which, after deducting the cost of production, yields from a given surface, and on equal conditions, the greatest net produce ; and, 2, that the same system of cultivation, by maintaining a larger rural population, not only thereby adds to the strength of a State, but affords a better market for those commodities the production and exchange of which stimulate the prosperity of the manufacturing districts.'

This conclusion, so opposed to the doctrine current in this country, is confirmed by the highest authorities in France as well as by those English writers who, whether as occasional residents in that country or as travellers—such as Mill, Inglis, Kay, etc.—have had the best opportunities of forming a correct judgment on the matter. And it should be added that these views have been constantly gaining ground in France during the last half-century, until they have almost ceased to be a subject of controversy

in that country. And surely if any one circumstance be more calculated than another to impose a modest diffidence on even the most conservative of British critics, it is the high social and intellectual position of those Frenchmen who are the advocates of the system of peasant properties. This task is not left to the Red Republicans or the ultra-democrats. Men of exalted rank and noble birth, who might be excused for feeling some repugnance to a social organisation which has to a large extent been erected upon the ruins of their class, the descendants of those whose families were scattered or who perished on the scaffold during the Revolution, have been among the most able and earnest champions of the present order of things. Thus, M. de Tocqueville, writing in the confidence of private friendship, from the château in Normandy bearing his name, and surrounded by a body of peasant proprietors occupying the greater part of the ancestral domain of his family, yet speaks with hearty commendation of the change. And the present state of things finds a defender in a venerable French nobleman, who is widely known and honoured in England for the purity of his character and his high intellectual endowments—the head of the ducal house of De Broglie. The circumstance to which I am referring—the elevated character and eminent position of the advocates of the French system—seems to have had its effect on the conservative and philosophical mind of Dr. Chalmers, who visited France in 1838, imbued with Mr. M'Culloch's predilections against the division of landed property.

Dr. Chalmers records in his diary, which has been published since his death, the conversations he

had on this subject with men of the highest social and political position whom he describes as 'intelligent and truly conservative.' One of them, François Delessert, member of the Chamber of Deputies, Parisian merchant, tells him that he 'apprehends no harm from the subdivision of property—speaks of the checks to it—that it is greatly overrated—that family arrangements often prevent it.' But a conversation with a nobleman, already mentioned, seems to have produced the greatest impression on his mind, as will be seen by the following extract from his diary: 'June 21, 1838.—Duke de Broglie made a very able defence of the French law of succession and said (*inter alia*) that the minutely sub-divided land on the Seine was, before, not cultivated at all. At Lille, he says there is first-rate agriculture in large farms from small properties pieced together. That in the canton of Berne, one part, under the law of primogeniture, has large properties, splendid houses, admirable agriculture, but a population supported by a poor-rate. Another part, under the law of equal division, has a worse agriculture, and a better conditioned population without a pauper among them.'

Dr. Chalmers closes his diary with these words: 'A most interesting journey by which my opinion of the actual state of property in France, and also my views of the eventual, have been made more favourable. Much, however, must be left to time and experience. I have been greatly enlightened by the conversation of the Duke de Broglie.'

A few years after Dr. Chalmers' tour in France, the agricultural districts of that country were visited by Mr. Henry Coleman, Professor of Agriculture in Massachusetts, who was on a special mission from

that State to report on the condition of agriculture in Europe. It would be difficult to find a witness more deserving of attention on the subject under consideration. The following are extracts from his published letters:—

‘At first I thought I should find nothing in French agriculture worthy of much attention, but my opinion has undergone a change, and I begin to think their agriculture not only good, but advanced. They do not grow the same productions as England; their work is not executed in so neat a manner; their implements are primitive and somewhat rude. Their neat stock is less improved, and, indeed, the whole system is different; but I am disposed to believe that their farming is more economical, and that, taken as a whole, the condition of the labouring classes is superior to that of the English. . . . I have never seen a more civil, clean, well-dressed, happy set of people than the French peasantry, with scarcely an exception, and they contrast most strongly in this respect with the English and the Scotch. I seldom went among a field of labourers in England or Scotland, especially if they were women, without some coarse joke or indecent leer. It is the reverse in France—the address even of the poorest (I do not at all exaggerate) is as polite as that of the best people you find in a city; so far from soliciting money they have refused it in repeated instances when, for some little service, I have offered some compensation. Count de Gourcy told me, again and again, that even the most humble of them would consider it an offence to have it offered them. I do not believe there ever was a happier peasantry than the French, and they are pre-eminent for their industry and economy.’

But the most recent, and at the same time, the highest testimony on this subject remains to be cited. M. Leonce de Lavergne is well known as one of the most accomplished, laborious, and conscientious writers on agriculture of the present age. His work, contrasting the rural economy of England, Scotland, and Ireland with that of France, published in 1850, attracted much attention at the time in this country. He has since published occasional articles in periodicals, and has edited a French translation of Arthur Young's travels in France. But his most important work, 'On the Rural Economy of France since 1789,' was published about four years ago. Now, in all these works, he is the consistent, able, but discriminating advocate of the division of land as it exists in France, and as contrasted with the system which prevails in this country.

'The Journal of the Royal Agricultural Society of England' (Vol. 21, 1860) contains a review of the latest work of M. de Lavergne, to which I refer, not only because the 'Journal' is our highest authority on practical agriculture, but because the review in question affords a truly characteristic illustration of the English mode of arguing the land question with foreigners. After speaking in the very highest terms of eulogy of M. de Lavergne's 'admirable book,' of his 'graphic descriptions' his 'inexhaustible fund of historical, legendary, and economical illustrations,' the reviewer adds: 'We trust we have said enough of its singular merits to induce all those who can read the French language to procure the book itself and read it through. Let no one be deterred from doing so by its forbidding title, as we have rarely seen dry, statistical facts and figures

comprised in so luring a form, and interspersed with so many entertaining details and pictures of scenery, manners, and customs, etc. In one word, M. de Lavergne has written a book which has its place everywhere—in the study of the learned, in the boudoir or drawing-room of the wealthy, and especially in the travelling bag of the tourist.'

I was very curious to see how the organ of our great agricultural society, after these well-deserved compliments, would deal with the accomplished Frenchman's views on the division of the land. 'M. de Lavergne,' says the reviewer, 'is not disposed to consider an extreme division of landed property as an obstacle to agricultural progress, and we shall presently examine the arguments by which he attempts to establish his opinion.' Accordingly, in the following page the subject is again referred to, and we are told that 'M. de Lavergne greatly approves the equal division of property by inheritance, and certainly adduces very cogent reason to support his views: but this is a point, and perhaps the only one, on which we do not agree with him.' And how does the reviewer proceed to 'examine the arguments' of a writer who is treating a subject to which he has given a life of study, in a work rich with valuable statistics and historical facts, every page of which bears evidence of his ability and practical knowledge? While asserting a difference of opinion on the one capital point upon which M. de Lavergne possessed such superior sources of intelligence, the reviewer might have been expected to have adduced some facts or figures in support of his views. Nothing more, however, is deemed necessary, in the present sentimental phase of the land question, than straight-



way to raise the cry of 'our old nobility.' 'Few who can appreciate,' says the reviewer, 'the social and intellectual influence exercised by the aristocracy of this country will concur with M. de Lavergne on the subject of the privilege of primogeniture.' Then follows half a page of glorification of 'our large land owners,' of their services to agriculture by 'scientific discoveries and costly experiments,' in the course of which we are told that 'there is not a single page of English history in which the aristocracy is not associated with its glorious records.' And this rhapsodical diversion from the real question at issue terminates with a dogmatic repudiation of M. de Lavergne's views respecting the division of land in France.—Not one word is vouchsafed to the case of the millions of agricultural labourers in this kingdom. The moment the aristocracy is thrown into the scale, it is assumed to outweigh reason, arguments, logic, and facts. What is this but a practical application of the lines:

'Let law and learning, trade and commerce die;  
But leave us still our old nobility'?

We laugh at the Spaniards because, when challenged to defend their antiquated practices, they deem it a sufficient answer to say 'Cosas d'España.' But where is the difference between this and the mode above of arguing with an enlightened foreigner?

I have said that M. de Lavergne is a discriminating advocate of the French peasant proprietors. He allows that there is room for improvement in the working of his favourite system, and that in some cases the *morcellement* of the land is too minute for agricultural purposes, though it is not admitted that this is the necessary or general tendency.

There are family arrangements which constantly tend to unite as well as to divide estates—as, for instance, the accession of property brought by marriage in a country where the habit of giving marriage-portions to daughters is universal.

M. de Lavergne concedes to England, as a whole, the more advanced position in scientific farming, acknowledging that in the agricultural products common to both countries the average yield of our crops will be superior to that of France. This, however, is not attributable to the size of the farm, but to the earlier development of our mechanical and industrial resources—an advantage which has given us the lead not only in agriculture, but in many branches of manufacturing production. He vindicates his countrymen from all discredit in this respect by pointing to the very different ordeals through which the two countries have passed since 1788, when Arthur Young made his agricultural tour in France. It is calculated that in the wars between 1792 and 1815 two millions and a half of Frenchmen perished on battlefields or in hospitals. Laws of 'maximum' and every conceivable violation of the rules of political economy were perpetrated. Vast masses of land wrested from the nobility, Church, and Corporations, passed suddenly into the hands of individuals who had neither capital nor intelligence to bring them into profitable cultivation. The energies which might have been employed in clearing the wilderness, draining the morass, or restoring to impoverished soils their natural fertility, were exhausted on a thousand battlefields, where the valour and genius exhibited by Frenchmen showed what would have been achieved had those qualities been devoted to the

more useful and enduring conquests of peace. During those twenty-two years, while every institution in France was again and again fundamentally remodelled, and the monarchy, aristocracy, and Church were overthrown—while, at last, foreign armies, after marching through the country, were twice in occupation of the capital, the whole terminating with the exaction of enormous pecuniary indemnities from the prostrate nation—during all this time England, secure against internal revolution and foreign aggression, was pursuing an undisturbed career of agricultural improvement. What wonder if, under such favourable circumstances, she outstripped her neighbour in the path of progress? Ought it not rather to excite our astonishment that in less than a century the peasantry of France could bear any comparison with our own in the enjoyment of the necessaries of life. Yet, so great were the recuperative forces in the rural population of France—arising, as is maintained by her highest authorities from the general diffusion of landed property—that in less than a quarter of a century after the peace of 1815 the English pedestrian tourist Inglis, was enabled to pen this declaration: ‘With a tolerably intimate knowledge and distinct recollection of the lower orders in France, I assert that, upon the whole, the peasantry of France are the happiest peasantry of any country in Europe.’ I have trespassed too long on your space otherwise I could have used further testimony in favour of the system of small landed properties, particularly from the pages of Mr. Mill, who, by long study of the best authorities, and by occasional residence in France, has made himself thoroughly master of the subject. But I have preferred, as far as

possible, to call as witnesses those who are technically versed in the science of agriculture. The result of the general study of all the best authorities is to show that there is an unanimity of opinion in favour of the French system, on moral grounds, as tending to elevate the character, promote the intelligence, and stimulate the industry of the peasantry. There is scarcely less agreement on the economical views expressed by M. Passy that small properties, after deducting the cost of production, yield, from a given surface, and on equal conditions, the greatest nett produce. Those 'equal conditions' can, of course, only be found by comparing corresponding specimens of the two systems. The advocates of the *petite culture*, while admitting that the average production of England exceeds that of France, contend that in Flanders (the very birthplace of scientific farming), on the Rhine, in Guernsey, Switzerland, the North of France, and other parts, farms of fifteen or twenty acres may be found cultivated by their proprietors, which yield a greater nett produce than the same extent of surface on the best farms in England or Scotland. M. de Lavergne says that the proprietors of fifteen acres 'enjoy sometimes a real affluence.' This is more than the average size of the separate farming properties in Guernsey and Jersey, where the population are renowned for their comparative prosperity and happiness. As a proof that this division of property promotes the accumulation of wealth, without tending to the deterioration of the soil, it may be stated that farming land is worth nearly twice as much, when let or sold, in Guernsey as in England. It is contended, moreover, that at the present moment the peasant proprietors are making

more rapid progress in improvements than the ordinary renting farmer without a lease, owing to the greater stimulus imparted by what Arthur Young designated the 'magic of property.'

The partisans of the French system look to 'co-operation' as a means of remedying whatever defects or evils may be found to arise from a too minute sub-division of the land. This principle, which has already been resorted to by our own intelligent workpeople as a means of elevating themselves to the class of shopkeepers and manufacturers, is peculiarly adapted to meet the case of the small agriculturists. It is a fallacy to suppose that the little proprietor must necessarily be a small farmer in the usual sense of the term. A number of adjoining properties may be united into a large farm. In England the ordinary tenant of a few hundred acres does not keep his own steam engine or thrashing machine. They are hired out from farm to farm. There is no reason why the drilling-machine, the horse-hoe, the roller, or the clod-crusher should not make its rounds in a similar way. Already, we are told, the principle of association is applied to cheese making and other branches of agriculture on the Continent, the practice will extend, and, with the increase of intelligence, it may prove the solution of the problem and remove every difficulty in the way of the successful cultivation of peasant properties.

But I have said enough, probably, to assist your readers to an appreciation of the question before us. That question has been raised, not by those who require some relaxation of our feudal land code, but by those who would deter us from any change, by pointing to the terrible law of succession in France.

I offer no opinion for or against that law. But if the peasant proprietors, who are its offspring, are to be paraded at our 'labourers' encouragement associations' to frighten those thralls of the nineteenth century—the essential innovation in whose fortunes, since the days of the Gurths and Wambas of the Middle Ages, is the transfer of their allegiance from the castle to the 'Union'—is there no danger that, like their rooks, they may learn to look the scarecrow in the face, and that some Romsey Hampden may find a voice and exclaim, 'Let un come! Who be afeared?'

# THE TWO THEORIES OF FOREIGN TRADE.

(A Lecture delivered in Birmingham, November 14th, 1905.)

BY

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## THE TWO THEORIES of FOREIGN TRADE.

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IN the great economic controversy in which the people of this country have been engaged during the last two years and a-half, it has been an error, committed sometimes by Free Traders, almost always by Tariff Reformers, to speak of our Foreign Trade as our "Trade." Tariff Reformers have even published a statement of our exports and imports, and called it our "National Balance Sheet."

It is necessary to have a clear idea of the function and limits of foreign trade in a nation. To one nation it may be a matter of small importance, to another, of great importance; but, taken alone, its foreign trade is no measure of its activities, its income, its prosperity. The foreign trade of the United States does not amount to one-third per head of that of the United Kingdom, but the average income of the American is now, at least, as great as that of the Englishman. The truth is, the income of every nation is the produce of its own industry, made either in its own home, or by its own citizens, and its own capital abroad, that, and nothing more. The portion of this produce it may suit one nation to exchange for the produce of other countries is no indication at all of the quantity remaining which it does not suit such nation to exchange. The amount of the foreign trade of a nation, therefore, is no sufficient indication of its activities or prosperity, and to speak of a table of exports and imports as a national balance sheet is absurd. We shall see later how, in the case of the most prosperous and advanced nations, the ever-increasing activities of the people gradually become less and less directed to

the production of articles for export, and more and more to articles which it is neither desired nor possible to export. Nevertheless, to all modern civilised countries, a foreign trade is valuable and necessary; and to ourselves, who have to import most of our raw material and half our food, not only valuable, but vital. And the question forced upon us to-day is, shall we continue our present policy of Free Trade, whatever course may be pursued by foreign nations, or shall we regulate our exchanges by tariffs and preferences?

I will not insult the intelligence of my readers by stopping to prove that foreign trade is really exchange and nothing else, that imports are paid for by exported goods and services and by nothing else. There is no living or dead economist, English or foreign, Protectionist or Free Trader, who doubts it. The Protectionist Professor Ashley calls the notion that imports are paid for by money which might otherwise "be spent at home," "the crudest of popular fallacies, which ought no longer to need refutation." That very able Tariff Reform champion, Mr. J. L. Garvin, says, "It is true that every import must develop a corresponding export." Every international banker and bill broker conducts his business on this fundamental assumption, and proves its truth in practice every day. Yet, while every man with one grain of capacity to understand a perfect deductive argument, or an ounce of practical experience in international commerce, knows, and will explicitly admit, that exports pay for imports, nine-tenths of the arguments of the Tariff Reformers are implicit denials of this fact. All the arguments of various kinds of British manufacturers, who truly enough point out that foreign goods are imported into this country in successful competition with their goods, and that these goods might be made here, and British labour employed to make them, are arguments of this nature, they are

implicit denials of the axiom that these imports are now being paid for, and must be paid for, by the produce of British labour, though perhaps not of the labour employed by the manufacturer advancing the argument.

It is necessary to be always on the watch for some implicit denial of this fundamental principle. For my own part, I always remember that when a man asks that the German iron or American window frames should be excluded from this country for his benefit, he is asking, unconsciously, that my ship which is earning the money to pay for these articles shall be put out of commission and laid up.

The fact being accepted by the common consent of all instructed persons, that exports and imports do and must balance, we are prepared to consider the rival economic theories and policies—that of the regulation of imports by Protection, and that of Free Trade. Mr. J. L. Garvin says, as I have quoted already, “It is true that every import must develop an export,” but he goes on to say, “The vital question is, what do you exchange for what? This is a perfectly accurate and fair statement of the point in dispute between instructed Tariff Reformers and Free Traders. By instructed Tariff Reformers, I mean, of course, partially-instructed persons, who have some knowledge of the theory and practice of the international exchange—first of products, then of Bills of Exchange, and then of bullion and the precious metals. Among the advocates of Protection in and for England, these men are a minute minority. They are to be distinguished from the vulgar intriguing manufacturer, who seeks to establish a corner at home. They are to be distinguished from those working men, fortunately few in number, who can see that they and their particular trade would profit at the moment if all the rest of the people would consent to be taxed for their

benefit, and cannot see a step beyond. These men are the brain of the Tariff Reform party, and they profess to be the most advanced and the most scientific of theoretical economists. They tell us that the old faith delivered to us as an everlasting gospel by Adam Smith and Cobden was no such thing, but was an excellent temporary expedient which it suited England to adopt sixty years ago; but that to maintain that it is a policy fitted for every nation, at every stage of its economical development, is to write yourself down an ancient fossil—a petrified survivor of a former period of economic thought. The gospel of the modern “historical” and “scientific” school, put forward in Germany sixty years ago by Friedrich List, and preached by his disciples and successors ever since, has, they say, entirely superseded the ancient doctrine, which they nickname “Smithsianismus,” and “cosmopolitan Free Trade.”

### **The Protectionist Theory.**

What is this new learning, and what is the light we can gain from it? This is our question. We find on examination that Friedrich List and his followers declare themselves to be the only worshippers at the shrine of true Free Trade, and that Richard Cobden’s clumsy foot has desecrated her temple, his sacrilegious hand had torn down her veil, and his profane tongue had uttered her mysteries to nations who had for long ages to live and labour before they could be ready for initiation.

Of Free Trade itself, the abstract “Free Trade,” written in capital letters, and uttered in whispers, List says: “In the Union of the three Kingdoms of Great Britain and Ireland, the world witnesses a great and irrefragable example of the immeasurable efficiency of Free Trade between united nations. Let us only

suppose all other nations of the earth to be united in a similar manner, and the most vivid imagination will not be able to picture to itself the sum of prosperity and good fortune which the whole human race would thereby gain." And he piously adds: "Unquestionably, the idea of a universal confederation, and a perpetual peace, is commended both by common sense and religion." Having thus given us a glimpse at a vision brighter than "the most vivid imagination can picture to itself," he straightway slams the door of the temple, and says, "It is not for us or our children's children;" the way to go is long and hard, and for each nation it has three great stages, long as geological periods, to be passed, not by one, but by all nations, before universal Free Trade can come. In the first, a nation will "adopt Free Trade with more advanced nations as a means of raising itself from a state of barbarism, and of making advances in agriculture; in the second stage, promoting the growth of manufactures, fisheries, navigation, and foreign trade by means of commercial restrictions; and in the last stage, after reaching the highest degree of wealth and power, by gradually reverting to the principle of Free Trade and of unrestricted competition in the home as well as in foreign markets, that so their agriculturists, manufacturers, and merchants may be preserved from indolence, and stimulated to retain the supremacy they have acquired." Note that this last stage must necessarily be a state of one-sided Free Trade for the more advanced nations, until all nations have achieved the same level of economic development. This, says List, is the natural economic order, which would, in due course, lead to a millenium of universal Free Trade, if nations were composed of fleshless and bloodless calculating economic units. But the units and the rulers of a nation are jealous, passionate, human beings, and a nation has other interests and other ideals than

those purely material and economic. Wars will happen, and a nation economically dependent upon other countries, either for food or manufactures, will be at a fatal disadvantage against a more self-contained people. Therefore, this natural economic order of progress, from an infancy of Free Trade, through an apprenticeship of Protection, on to a manhood of Free Trade, must be controlled and modified by considerations not economic but political and social. And thus arose the *National Economics* of List and his followers—the foundation principle being, in his own words, “Every great nation must seek, before all other things, the independent and uniform development of its own powers and resources. Agriculture, manufactures, commerce, and navigation must all be developed in a nation proportionately.”

It is now sixty years since List lived and wrote his greatest book, “The National System of Political Economy.” At that time the manufactures of Germany were insignificant, and her exports chiefly agricultural produce. His immediate object was to persuade his countrymen to enter upon his second economic stage, that of protection of their manufactures, that they might thus develop their own powers to manufacture for themselves; and, to induce them to face a certain immediate loss and burden, he invented his celebrated dogma that immediate production and enjoyment are not the principal thing, but “Productive Power,” and that, to build up a manufacturing productive power, it is worth while to tax an agricultural community.

Round this dogma the Free Trade and Protectionist argument in all countries of the world except our own, to which it has no application, has centred. It is on it the Protectionists have achieved such victories as they have up to the present won. It is the well-known plea for the protection of infant industries until they

are strong enough to take care of themselves. In seeking to guide his countrymen through what he called the three great economic phases of development, through Free Trade to Protection, and then back from Protection to Free Trade, this national idea was the dominant one; and he taught that the trade of the country must be controlled and restricted by imposts on either manufactures or agricultural produce so as to produce as nearly as possible this internal economic equilibrium; in short, that nothing should be imported that can reasonably be produced within the limits of the country itself.

Germany in late years has pursued the policy of its most celebrated Protectionist teacher; and, although, as we shall see later, a great expansion of German manufactures was inevitable under any fiscal system, yet this expansion has been stimulated by the protection accorded to her manufactures, until, according to the "National" theory, it is now excessive.

Professor Wagner, of Berlin, views with the greatest anxiety what he regards as the present excessive industrialisation of Germany, and his views on this matter are shared by many others. The tendency of the new German tariff is to redress the balance. While it adds slightly to the duties for the protection of manufactures, it adds much more largely to the duties for the protection of agriculture. Therefore, while it may restrict our direct sales to Germany, it must still more restrict her power to compete in other markets with us. This is quite as it should be, according to the Nationalistic theory. It is better that they should sell less if they also buy less, and if, incidentally, they have to eat less and wear less, that is their proper sacrifice to a patriotic theory.

This is the theory, in a few words as I can put it, of the theoretical, "historical," and so-called "scientific" Protectionist economist.

To follow it is, from the point of view of the world at large, avowedly economically, a policy of the "second best." It is directed, not to extend international trade, but to contract it within the smallest possible limits. Nevertheless, we find it accepted and acted upon, for the present, alike by foreign nations and our self-governing Colonies.

The great question put to us to-day is this: Is it possible for us to persevere in our solitary course of Free Trade and live; or shall we turn our backs on Adam Smith and Cobden, and put ourselves into line with other nations, and follow List and his school?

### **Application of Protectionist Theory to the United Kingdom.**

Let us now consider List's theory of a self-contained nation, "with its agriculture, manufactures, commerce, and navigation developed in strict proportion," in its application to England. If this ideal be accepted, with this Kingdom for its unit, then it must be admitted our Free Trade has been wrong, our manufactures, our shipping, and most of our foreign trade are wrong. We have twenty millions of people in this country who have no business to have been born. And the most wrong of all are the Tariff Reform Commission, who are aiming at increasing still further this national disease, the excessive development of our manufacturing side. What we must do on this theory is to tax imported food, so as to encourage its production at home, let in foreign manufactures free, so as to discourage our own overgrown industries. By this means, if severe enough, we should bring back some of our own surplus people to the land, and starve out or drive out others until the blessed equilibrium was established. The new



German tariff is a deliberate attempt of this character, practised upon a nation which, as yet, imports a comparatively small portion of its food.

The application of German economic theory, and American economic practice, in this form, with this country for its self-supporting economic unit, we may surely rule out of the range of practical politics. But the English tariff reformer of the neo-German Nationalistic school does not take this Kingdom as his economic unit. His unit is the Empire. There is no lop-sided development of manufactures in the Empire taken as a whole. Here is his ideal economic national unit. The British Empire is a great fact, but, unfortunately, it is not an economic unit in the sense required for a "National" economic policy. We have India practically a Free Trade country, with whom we do as much trade as with Australia, Canada, and the South African Colonies put together, and we have these self-governing Colonies, each determined to work out its own national economic development in its own area, on the lines of strictly national—that is, Colonial—Protection. To speak quite frankly, I have at this moment more hope that Germany will find her new tariff insupportable, and relax it—I have far more hope, even an expectation, that the United States will extensively reform her tariff in the Free Trade direction than I have of a similar movement in any of our self-governing Colonies. We have to acknowledge the candour of our Colonial brothers. Throughout this controversy they have made it clear that, preference or no preference, their ideal is the self-contained nation—their national economic unit is the Colony, not the Empire; and the means they take, and mean to continue to take, to secure this end, is Protection, effective Protection, of their manufactures.

On the theory of List and his followers, which our tariff reformers accept, and are doing all they can

by means of translations to make known and popular in this country, all these nations, and especially our own Colonies, are economically and politically right in being Protectionist in the present stage of their industrial development, with the exception of Germany and the United States, who have advanced far enough for the third or Free Trade stage. But even Germany and the United States, although not economically justified, may be politically right in retaining a Protectionist system. At any rate, at present they do retain it.

The practical problem before us, therefore, is not the question whether, in the abstract, Free Trade is "the best policy for England." On every purely economic theory it is. Adam Smith and Cobden teach that it was always right for England and for other nations, too; List and his school teach that for England it was not always right, but it is right now in her advanced stage of economic development. So far the English Protectionist would agree with us. The position is that most foreign nations, in matters of trade, have adopted the tactics of war, and we find ourselves solitary Free Traders, one-sided Free Traders, in a "world of Protectionists."

Surely, then, of all nations on earth we ought to be the most miserable. Every other nation is schooling itself, by painful tariffs, to do without us, and we are becoming more and more dependent upon others, and what will be the end of it?

### **Consequences if we persist in Free Trade.**

The deductive economist of the Protectionist school proves to us by deductive reasoning what the end ought to be, and what it must be; the whole catalogue of woes is set forth by Mr. Balfour in his "Economic Notes on Insular Free Trade." Our staple manufactures, the exports in which we used to trust, will be

shut out ; we shall have to pay for our imports all the same, and we are even now being “engineered”—Mr. Balfour’s word—by the foreigners’ tariffs out of one trade into another to pay for them ; “necessarily,” all these changes are from superior to inferior trades ; the British manufacturer, excluded from his old markets, takes himself, his capital, enterprise, and machinery to other countries, where he flourishes greatly under the shadow of a tariff wall, when he has got to the right side of it ; meanwhile, our manufactures are no longer necessary to the foreigner, we are at a disadvantage in the exchange, we must “necessarily” not only send our inferior goods, the produce of low-class and sweated labour, but we must also constantly reduce our price to get them taken at all. It will become, in the language of Mr. Balfour, first “difficult,” then “impossible,” to obtain and pay for our imports ; then will follow suffering, starvation, and wholesale emigration, until little England is reduced to a little fifth-rate, self-contained, self-feeding State. All these things will happen, says the deductive Protectionist economist—must happen—have begun to happen. And the great proof of the correctness of their deductions—the one thing from which all Tariff Reform arguments start—is the fact that the more advanced Protectionist countries have increased, not only their national product, but their export of manufactured goods during the last thirty years in greater proportion than we, a Free Trade country, have done. This is the great fact the Protectionists force us to face. It is the beginning and base of all their arguments. These, in short, and as fairly as I can put them, are the conclusions, as applied to England, the Protectionist deductive economist deduces from the theory I have already explained.

Can their case be answered? How is it to be answered?

### The Answer.

We are first confronted with the striking fact I have mentioned, that the manufactures and the exports of the manufactures of certain foreign Protectionist nations, particularly of America and Germany, have increased in proportion, if not in actual quantity, more than our own in the last thirty years, and this notwithstanding their growing Protectionist tariffs. This phenomenon stares us in the face, and it is the basis of the whole case of the Protectionist as applied to England.

What is the significance of this phenomenon? I decline to consider America, for any conclusion drawn from this fact in regard to America is useless for any economic purpose. With such a raw material as the best part of the richest of continents—that of North America—not half developed, with its land, its rivers, its mineral wealth, its immigrant labour, it is beyond the power of human folly to arrest its growth. Germany is a fair parallel. But Germany has, of late, been passing through a stage of social and economic development we passed at least a generation earlier. She has been drafting into her cities a large half-employed, under-fed, under-paid, agricultural population, to found her new manufacturing industries. We have no longer this resource, it is dried up, our agricultural districts are to-day under-peopled, and the land is crying for labour. Germany has doubtless accelerated this national revolution by her past Protection policy in favour of her manufactures, she will now probably check it by her new "Agrarian" tariff. But the process itself is a natural and inevitable stage in the development of a modern nation in modern conditions. It is no longer necessary that nearly the whole of the human race should be employed on the land to raise mere food.

As the agricultural population is liberated, and the mechanical arts grow, new occupations are necessary, new wants arise, new manufactures are born. In this migration of population from country to town we were a generation ahead of Germany, and she has just passed through what must necessarily prove the most rapid period of her manufacturing growth. The phenomenon of the more rapid growth of German manufactures and exports than of our own in these late years is undeniable and striking—but it was inevitable under any fiscal system. It has been an advantage to Germany in particular and to the world in general. Tariff reformers jump to the conclusion that this growth has been at our expense, to our loss. It is this conclusion I dispute and deny. Is not the German taking our trade and throwing our people out of employment? they ask. What about the unemployed millions in this country, robbed of their employment by foreign competition? I reply, they simply don't exist. There are no unemployed millions of workers. We have to-day no available reserve of unemployed for our ordinary industrial purposes. We have the destitute poor, and the problem of poverty. We have the aged, and the widows, and the fatherless children, the sick and disabled, and the unemployable, as every country has. But our existing industries are sufficient to absorb all available able and willing workers *in good times*. Take the year 1899, a year of booming trade, and a year of peace—at that time our prosperity reached saturation point, we had as much as we could hold, we all know every mill, factory, mine, and ship, and every man in this country, was fully employed, every employer was looking out for hands, every man had the choice of two jobs. Orders of all kinds were refused by our manufacturers, as I know by my own experience, both in my own business, and as a Railway

Director—orders which overflowed to the foreigners because we could not take them. And yet this is a period in which notably German and American exports expanded more than our own, and the tariff reformers tell us this increase was at our expense. If this was so, they are bound to tell us how we could have taken it on, what we could have done more than we did, or what we could have done better than we did. The dogma that England is to be the sole workshop of the world, that we can monopolise the infinitely expanded trade of the world, is a palpable absurdity. We could not keep the whole, but I maintain we are keeping the first call on the trade of the world; we are keeping the best of the trade, and we are keeping as much as we can do in good times. But bad times succeed good, and with bad times appears unemployment in the best employed State, and every trade produces not only its own employment, but its own unemployment. This is a phenomenon too often overlooked—that every trade produces its own unemployment in the bad times, which, as trade is at present organised, always succeed good times. The problem of the unemployed—that is, unemployment of the fit and willing—is the problem of mitigating and tiding over bad times. That and that only. It follows from this that to import a trade by tariffs and taxes is not a measure that will absorb your unemployed. That is to import unemployment as well as employment. This the Americans found when, at an enormous cost to other unprotected industries, they violently imported a tin-plate manufacture. That I might read a full report of Mr. Chamberlain's speech in South Wales, in which he gave this as a striking example of pure profit to America and pure loss to us, I bought a Cardiff newspaper, and in the very same issue that recorded his speech I read these words in their

market reports : "The condition of the American tinplate industry is most unsatisfactory, over half the mills being closed down, and the American Tinplate Company has reduced its quotation for plates by 20 cents on the 100-lb. box. Little business is said to be coming in from canners. Independent sheet mill owners have secured a reduction of 20 per cent. in wages." No such state of affairs at that time or since has existed in South Wales. America had imported this unemployment, and her unemployment is always greatest in her protected industries. It is obvious the problem of the unemployed must be attacked by other methods than tariffs.

Three things are now clear. First, that in the infinite expansion of the consumption of the world it was a physical impossibility under any tariff system, or under a system of universal Free Trade, that England should remain the sole workshop of the world; and, second, that in good times England retains as much of the trade as she can do, and refuses more through sheer inability to undertake it; and, third, that the problem of unemployment of the fit and willing workers is common to all countries, and is in this country simply a question of moderating or counteracting the effect of the alterations of good and bad times.

Having disposed of the contention that the growth of the manufactures of other countries, due to the infinite expansion of the consumption of the world, has been at our expense, let us now consider in their order the dismal, "logical deductions" of our Protectionists I have already alluded to as to what must "necessarily" befall, and is befalling, solitary, undefended, Free Trade England. We suspect the word "necessarily" in the mouth of an economist, and when we examine these alleged "necessary" consequences, by careful and patient induction from

ascertained facts and figures, we find that everything that ought to happen, and must happen, does not "come off" according to the logical programme, and we begin to suspect there are other and more tendencies and principles at work in the world of trade than enter into the Protectionist's philosophy.

### Is Our Trade Degenerating?

Their first deduction is that our trade, if not decreasing, is degenerating in kind; our employment is no longer of the right sort; our exports, which pay for our imports, are not of as good a kind as formerly. We are being "engineered," to use Mr. Balfour's phrase, out of our good old "staple" export trades into other and "necessarily" inferior trades. The Tariff Reform Commission point out that whereas in former times we used to make iron for the world, now both America and Germany have passed us in the production of pig-iron, and that our exports of that article of one of our greatest staple trades is insignificant. Professor Ashley says, "England is turning apparently more and more to exports, the products of cheap, low-grade, and docile labour." "Let us see," he continues, "what are the comparatively new exports which are taking the place of the old? Coal and unmanufactured clay, apparel and slops, pickles, vinegar, and preserved fruits, oil and floor cloth, caoutchouc manufactures, soap, furniture, cabinet and upholstery wares, cordage and twine. Now, I believe that all these are cases in which the bulk of the labour employed is cheap and unskilled."

What is our reply to these criticisms? It is that most satisfactory of all possible replies to a disagreeable proposition—a flat denial. Our exports are not inferior; the examples the Tariff Reformers give do not prove it; the examples they do not give prove the



contrary. They complain that we no longer make pig-iron for the world as we did when our railways were the most extensive system in the world, and we were teaching other nations how to develop their own. This is their favorite example of our decline. To any one who has the most superficial knowledge of our slender resources, both of iron ores and furnace coking coals, in comparison with the United States, a country which has now a railway mileage ten times as great as our own, this complaint will appear the complaint of ignorance. Instead of supplying the world, as in the old days, America, Germany, and England, the three great iron-producing countries, each produces about the quantity of this raw material it is able to work up, and this seems to me to be a satisfactory arrangement of this particular trade. To make pig-iron for the world is not my ideal destiny for this country; that the Black Country should extend South from Birmingham as it extends North, until it fills the rich and happy garden valley of Evesham, now devoted to Professor Ashley's pickles and jams and preserved fruits, for example, would be to sacrifice the better for the inferior industry.

Of Professor Ashley's list of the inferior export trades into which he states we have been "engineered" by foreign tariffs, I have only three remarks to make. In the first place, they are very small; in the second place, they are not inferior to our old staple trades; and, in the third place, we are not being "engineered" into them. I exclude the export of coal, for with expert knowledge I differ from Professor Ashley on this point, and I regard this as one of our best exports. It forms the basis of our exchange in bulk for our bulky imports. More than half is sent abroad for navigation purposes, and more than half is for British consumption abroad. In his first two trades, apparel and slops, our exports were less last year than

in 1890, not more; in his next five trades, pickles, vinegar, confectionery, jams, and preserved fruits, our export trade has expended not quite £1,000 in the same fourteen years, and the increase in our exports. in all the other trades he enumerates does not amount to two millions in the same period. I apologise for troubling my readers with these petty figures; I do so to show to what shifts our deductive Protectionist economists are put when they leave their general conclusions, that such things must "necessarily" be, to examine the facts as they are.

Let us look, not at these petty details, but at the whole. In three, not fourteen, years our exports of British goods have increased more than twenty millions to the end of last year, and in the first ten months of this year about 22½ millions more. Of what has the increase consisted? Almost entirely of our great staple manufactures of cotton and wool, iron and steel manufactures, and machinery. Professor Ashley's list of inferior trades had not quite succeeded in holding their own during the period up to the end of last year, although they have slightly increased again this year. But all his examples are trifling when set beside our greatest *new* trade, and greatest *new* export—our shipping trade. Its gross revenue is quite equal to that of all our home railways put together, which amount to about 110 millions. I will not trouble you with detailed figures, but a few main facts about this trade are easily remembered, and worth remembering. Vast as our foreign trade is, it is only one-sixth of the international trade of the world, but our ships carry, not one-sixth, but one-half of the trade of the world. We carry more goods from foreign port to foreign port—trade which never touches this country at all—than all our British trade amounts to; we carry more for the celebrated group of the ten Protectionist

countries alone, than we do for ourselves. To compare any other nation with us in this trade is ludicrous; to compare all other nations put together with us is to compare the inferior in value and efficiency, if not in tonnage, with the superior. That we have been "engineered" into this lonely pre-eminence in this trade partly by our own Free Trade policy, and still more by the Protectionist policy of other nations, no person who is qualified to have an opinion at all doubts. The nations who, by their tariffs, restrict exports of our "staple" manufactures to their shores, are forced by the natural law from which commerce cannot escape to accept the payments for their exports to us largely in the form of our shipping services. Is this a decline from higher trades to a lower one? Mr. Chamberlain says it is. At Preston he said, "What does the working man get out of these invisible exports—out of the freights of ships? He gets very little. The wages in the shipping trade are, I am sorry to say, a small and diminishing quantity." I wish to speak respectfully of Mr. Chamberlain, so I will only say by way of criticism that, as a piece of economic analysis, this appears to be—incomplete. The shipping trade gets over 100 millions a year into its pocket. The railway companies get a similar amount, and pay nearly half of it to their shareholders; the cotton trade gets nearly as much, but it has to pay forty millions to the foreigner for its raw material. The shipowners work on a capital of less than one-seventh of that of the railways, and what their shareholders get is a minute portion of their gross receipts; the rest, less a small sum for foreign port charges, is all distributed to pay the best class of British labour. Their ships are built and engined, re-fitted, and repaired in British yards and British engine works of British material; officered and engineered, and mostly manned by British subjects;

provisioned in British ports; insured in British offices; and coaled with British coal. No other British industry gives so great an amount of employment to British labour of the highest class. To an island people our most necessary trade, politically our most imperial and coveted trade, economically our largest trade, and industrially our best trade, is our shipping trade. It shows no signs of losing its lead or any portion of its lead. Last year we added to our shipping tonnage ten times as much as Germany added to hers, and Germany is the only nation, except Japan, with a growing mercantile marine. Our shipping trade has only two things to fear—any departure from a Free Trade policy by England; or the abandonment of Protection by America and other countries. This is the great example of the success of foreign Protectionist tariffs in “engineering” us out of some old trades into other new trades. They have succeeded in “engineering” us out of some portion of our old staple trades, but they have “engineered” us into a better trade.

But there are other examples. Time would fail to describe the economic process by which the Protectionist policy of other nations has secured the supremacy of the “Land of free imports” in the business of merchants, distributors, brokers, bankers, and insurance. To say that we are being “engineered” into inferior trades is to say that bankers, merchants, brokers, shipowners, and officers and crews, skilled engineers and machine makers, are inferior to the old furnace men and puddlers, or the naked and parboiled men I remember in the sugar houses in my boyhood. No, British trade is neither decreasing nor degenerating.

A survey of international commerce as it exists shows that, when a nation endeavours to monopolise its own market for its own producers, it is forced to

surrender the newer and higher occupations that are essentially international. It surrenders them to us. Such a nation is fighting against great forces: material—such as the cheapening and quickening of carriage by sea and land; and moral and social—such as the increase of commercial intercourse and information, and the habit of travel; forces which make for international inter-dependence, friendship, and peace. These forces produce new trades; the trades which are the product of these forces are the higher trades; the country that secures these trades is the Free Trade country. And thus the nation that holds and follows the morally higher theory of trade has its reward, even in this world.

### **Flight of British Capital to Protected Countries.**

How these higher forces work and counteract the lower is well illustrated by a phenomenon that, while only half-understood, has furnished the Protectionist with his most telling argument, and the next assumption with which we have to deal. The British manufacturer, he says, shut out of a foreign country by a tariff, takes himself, his capital, his machinery, and sometimes his men, and flourishes mightily abroad, instead of starving at home, to our national loss. The fact that these emigrations of capital have taken place cannot be denied, but they are not so frequent now as they were in the early days of American Protection. But notice what follows to the Protected state. Notice how retribution follows, and in the end restitution, too. When its protected infant industries have grown to be protected giants, when they aspire to an export trade—a “world trade,” they find that on the whole, the best results in product for a given expenditure can be obtained in the “Land of free imports,” and one after another they establish their

works in England. They bring their German education, their American enterprise and organising power, and their capital to this country, when they establish themselves on British soil, pay British taxes, and employ the highest and best paid of our working population.

There can be no doubt that, during the last few years, the tide has turned, and this immigration of capitalist aliens has much exceeded the flight of British manufacturing capital to protected areas. It is one of the most conspicuous of the developments of English trade. And, observe, it is the very best firms who feel most strongly the attractive force of the Free Trade country. It is the largest maker of electric machinery in the world that has come from America to establish itself at Rugby; it is the largest maker of mining machinery in the world which has come from Chicago and San Francisco to start near London; the Trafford Park Works of a Pittsburg firm are the largest and best-equipped works of their kind in the world. The new German tariff itself is playing into our hands; a few weeks ago I read the following in the Protectionist *Times*: "The difficulties of the American Government with respect to the tariffs of Germany and Austro-Hungary may lead to a further establishment in this country of American industries. Finding their European trade hampered by retaliatory tariffs, there is a growing disposition among the most wealthy and progressive American manufacturers, especially those who are cultivating and depending more and more upon an export trade, to look forward to the establishment of works in England, by which their products would receive the benefit of the 'most-favoured-nation' clauses in the commercial treaties of this country. It may thus be seen that the establishment of exotic industries can be due to two causes, which, though entirely opposite, exercise the same effect. There are

many examples of English industries established in protected countries, to which it was found impossible to export at a profit in consequence of their high tariffs. We are now likely to see similar foreign industries founded in this country as the direct result of our Free Trade policy." We English have many commercial deficiencies, we commit many commercial errors. We neglect our secondary and technical education, we despise foreign languages, our consular services do little for trade, we maintain our antiquated system of coinage and weights and measures, our ports are not encouraged, and our canals are allowed to perish; but our Free Trade policy, like a beneficent fairy, interposes between our faults and their punishment. It brings to our shores and our service the finest products of German education and training, and attracts the best enterprise, and most highly specialised skill and capital of America, to work out its full development in the "Land of free imports."

### **Are our Markets Contracting?**

Another Protectionist assumption, one that terrifies Mr. Balfour, is that, as the area of national Protection grows, so our markets contract; our imports are "necessities" to us, and becoming year by year more necessary; our exports are not necessities to other countries, and are becoming year by year less necessary. Therefore, "necessarily" we can only induce other countries to accept our exports, which are our only way of paying for our imports, by constantly reducing our prices; that our exports will become first "difficult," then "impossible," and our imports "first costly," then "unattainable." This assumption, if accurate, would be by this time susceptible of statistical proof. It has received, on the contrary,

statistical disproof. The Board of Trade have shown that, although both the prices of our exports and imports have greatly decreased in thirty years, yet it is the foreigner who has reduced his prices the most. We are getting more and not less foreign goods for our goods. In this, as in the other deductive arguments of the Protectionist school, the "inevitable" consequences does not "come off."

### General Conclusions.

During the past generation we have seen the National Protectionist Theory of Taxation of Imports applied to new countries and old, to young and small communities, such as our Colonies, and to a great Continental State, such as America. It has been established at great cost to the majority of the people in all cases. I say at great cost to the majority, but it is seldom realised how small a minority benefit by the Protection in the protected States. America, with its high and all-round tariff, is, perhaps, the best example. In the United States, Mr. Edmund Atkinson has made a careful analysis of the very complete Census returns made in that country, and he finds that out of twenty-nine millions of male and female persons "occupied for gain" only 600,000 benefit directly or indirectly in their business by the Tariff; and the 28,400,000 who get nothing pay for it. But in these States the interests of the minority have prevailed, and the National Protectionist System has been established. And they have their reward, such as it is. It has not created their manufactures, for we have seen the rise of foreign manufacturing States was inevitable under any system of trade and taxation, but it has, perhaps, hastened their development, at the expense of the community generally; it has made the Protectionist



countries rather more self-contained and self-supporting than they would have been under Free Trade. But the national idea of List has not been attained; it is unattainable in this modern world. The forces of civilization and modern industrial progress forbid it; these forces, the growth of communication and intercourse, the cheapening of transit, the rapidly-growing habit of travel, are all bringing the nations together, and favour international trade and interdependence. These forces create new international industries and services, and higher industries and services, faster than tariffs can check the old ones. These higher industries gravitate to England, and thus it is that Free Trade England, dominated by the "demon of cheapness," instead of being isolated, extinguished, starved out, as the Protectionist theorist says it should and must be, is able to secure, not only as large a share of trade as she can take, but is able to secure to herself the best of the trade.

Before concluding my argument on the purely economic aspect of the development of our Foreign Trade, I must in a few sentences give my forecast of its probable future. It is, in my opinion, not only unlikely, but impossible that the phenomenal growth of our exports and imports we have witnessed during the last two years can be maintained, and, further, it is not desirable that it should be maintained. Doubtless it will grow at a slower rate. But, as a nation progresses in industrial development, a constantly-decreasing proportion of its energy is necessarily directed to the production of material goods suitable for foreign exchange. A primitive people must expend all its energy in catching and growing food to live. An advanced people expends a small portion of its energy in the production of food, and a constantly-decreasing proportion of its energy in its old primitive "staple" trades. It advances to

more specialised products for more elaborated and specialised needs—from the bread-and-meat it advances to the “pickles-and-jam” stage. Its increase is in quality rather than quantity, for when a nation has enough in quantity it does not require more things—it requires better things. And these better things are not the material of foreign trade, they are better houses, better cities, better communications, better education, better amusements. Study the last Census returns, and you will see a constantly-increasing proportion of our people engaged on these better things: in transport and distribution, in Government and public works and service, in the fine arts, and the applied arts and crafts, in education, and in recreation and amusements. As we advance in prosperity this process will go on, and these newer occupations are not the production of the material goods suitable for foreign trade. It is even probable we shall pay for our imports in an increasing degree with our services, and in a less degree with our goods. But our production of material and non-material wealth may then be much greater than it is now—its distribution may be better, our national income, our comfort, our prosperity may be greater, and our standard of living higher. And this brings me back to the point at which I started, that our foreign trade is no measure of our whole trade, and our imports and exports are no measure of our national income; and that our course of industrial and social progress in the future lies on lines for the most part distinct from foreign trade.

In my vision of both present and future you may consider me an optimist. Mr. Chamberlain calls himself an optimist—“an incorrigible optimist.” Well, if he is an optimist, so were Jonah and Jeremiah. But one who believes in the truth, the present profit, and final triumph of Free Trade, must be an optimist.

## The Ethics of Free Trade.

In this lecture I have considered foreign trade under protective tariffs, and in freedom in its economic relations only, but surely the ethical aspect of the question should not be entirely forgotten. On the ethical plane there are no two sides to the question. List himself speaks of Free Trade in its ethical aspect as "commended both by common sense and religion." Protection in its operation is corruption, politicians and political parties become the tools and pensioners of financial potentates and monopolist trusts. It has brought into being in America forces described in the Protectionist *Times* as "the forces which are sapping the life of the United States, the forces of greed, of corruption, and of wealth, organised more perfectly than ever before in the history of the world." In England we have, in the long run, "government of the people by the people for the people." In America they have "government of the people by the machine for the Trusts."

The methods of Nationalistic Protection are the "methods of barbarism"; the end it looks to is not peace, but war and efficiency in war. The ideal State of List is the economic unit that can gather its internal resources together, and find within itself all that is necessary to enable it to fight its neighbours, and to attain this desirable economic condition he did not scruple to say Germany will have to annex Holland and Denmark. The ideal of Cobden is such a condition of mutual intercourse and aid as shall make wars impossible. The higher moral plane of Cobden all Protectionists, as well as Free Traders, must admit, but the average worldly man will ask, "Is this path of peace the path of safety?" And here again we can prove that the higher path is not only the most profitable but the most secure. The Report

of the recent Royal Commission on Food Supply in Time of War, with the unanimous testimony of the most experienced naval and commercial experts, proves that, with our great Free Trade industries, with our merchants and our ships, drawing our food and raw material from all parts of the earth, added to our naval power, our supplies are placed beyond the possibility of serious interruption.

And thus Free Trade stands justified. In the sphere of ethics it is the path of humanity, honesty, and commercial purity; but no less in the sphere of politics is it the path of safety, and in the sphere of economics is it the path of profit.

Protectionist nations have chosen the spirit and the methods of war to govern their commercial policy. We have chosen the higher path, and we have proved the old word true, that "Whosoever will save his life shall lose it, but whosoever shall lose his life, the same shall save it."

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# SHIPPING AND FREE TRADE.

BY

RUSSELL REA, M.P.

*A Lecture  
Delivered in the Special Cobden Club Course  
on February 6, 1905,*

WITH APPENDICES.



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# SHIPPING AND FREE TRADE.\*

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ONE of the most firmly held articles of the British faith is the dogma that the sea is the heritage of the British race; for 150 years we have sung that "Britannia rules," not only that considerable portion of the surface of the earth painted red upon our maps, but that very much more considerable portion painted blue.

This admirable faith has greater justification in fact to-day than ever it had at any period in the past, and we owed it to our glorious naval history and traditions—to Drake, to Blake, and to Nelson. We do not owe it to any similar lengthened period of the triumph of our mercantile marine, for we have enjoyed no such lengthened period of the supremacy of our merchant shipping. We have achieved our present commercial superiority entirely since our fathers adopted the principles and practice of Free Trade in general, and in particular since we renounced the monopolies and privileges, and freed ourselves from the shackles, of the old Navigation Laws in 1849.

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\* A Lecture delivered in the special Cobden Club course on February 6th, 1905.

Yet it is a fact that, great as is our superiority over any other nation, or any two, or any three foreign nations, in naval strength, the relative superiority of our mercantile fleet to-day is much greater still. It is not with this or that Power that it can be compared. It is no two- or three-Power standard that we maintain. The only comparison which is not ludicrously disproportionate is that between the British Empire and all the rest of the world put together. It is with the abstract foreigner, whom he characteristically calls "our bitterest and severest competitor and rival," that Mr. Chamberlain compared us in his speech in Liverpool. And even in this comparison 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, as I will attempt to prove later.

In this paper I propose to show :—

1. That this predominance did not exist before we adopted Free Trade and repealed the Navigation Laws.

2. That it exists now.

3. That this superiority is the result of our Free Trade policy, applied both to our import trades and to shipping ; and

4. I will point out some of the dangers to which British shipping is exposed, and the disadvantages

under which it labours, and indicate what I consider the true national policy to adopt towards it.

1. That this predominance did not exist before we adopted Free Trade. "It may be assumed," says Mr. Cunningham, an authority on economic history, "that in the Middle Ages the shipping of the Italian Republics and the Hanse League excelled that of England." The chance of England did not come, in fact, until the discoveries of Columbus and Vasco di Gama opened the Western and Eastern oceans to commerce, which, until that time, had been confined principally to the Mediterranean and other inland seas. At this period we had an enterprising sovereign, Henry VII, himself a merchant ship-owner. His sentiments on the subject of foreign commerce were most admirable. In instructions to commissioners appointed to negotiate treaties of commerce, he said: "The earth being the common mother of all mankind, what can be more pleasant and more human than to communicate a portion of all her productions to all her children?" These sentiments were worthy of Richard Cobden; but Henry's policy was not so enlightened, and he followed the earlier examples of Richard II and Edward IV in enacting and endeavouring to enforce the strictest navigation laws, restricting English merchants to English shipping. Whatever the reason may have been, we find that Spain and Portugal and afterwards Holland took the lead in

the new ocean traffic—so much so that 100 years later, in 1603, Sir Walter Raleigh wrote: “The merchant ships of England are not to be compared with those of the Dutch. The Dutch give free customs inwards and outwards for the better maintenance and encouragement of navigation, and the encouragement of the people in that business.” Consequently the Dutch were the great carriers. He continues: “We send into the East kingdoms yearly 100 ships, while the shipowners of the Low country send thither 3,000 ships,” and he adds in words strangely familiar: “Our Russian trade is going.”

Our position, however, was improving, and in 1666 Sir Henry Petty estimated that the Dutch shipping tonnage amounted to 900,000 tons,

English to	...	...	500,000
French	...	...	100,000
Hamburg, Dantsic, Den-			
mark and Sweden	...	...	250,000
Spain, Portugal, and Italy			250,000

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2,000,000 tons.

At this time English shipping was subject to the celebrated Navigation Act of Oliver Cromwell (1651), an Act that was called the great Charter of English shipping, the principles of which remained in force until the Navigation Acts were finally repealed in 1849. This Act enacted that

“no goods or commodities whatever, the growth, production, or manufacture of Asia, Africa, or America, should be imported either into England or Ireland, or any of the plantations of Great Britain, except in British built ships, owned by British subjects, and of which the master and three-fourths of the crew belonged to that country.” And from Europe nothing was to be imported “except in British ships, owned and navigated by British subjects, or in such ships as were the real property of the people of the country or place in which the goods were produced, or from which they could only be, or most usually were, imported.”

Under the protection and fetters of this law, modified and relaxed in various details and in various parts of the world by special treaties, our commerce was carried on for two hundred years with varying fortunes. The Navigation Laws which expressed the wisdom of our ancestors were fair copies of those of other nations. Our laws prohibited a Spanish ship bringing a cargo to England from the Spanish South American colonies; but had we permitted it the Spanish law would have forbidden it, for Spain enforced a monopoly of the trade with her colonies. In the international race all competitors were pretty equally handicapped.

In the light of the present, the most remarkable thing about this long period appears to me to be that during the whole of it we can discover no indications of our ever attaining our present superb

supremacy. At the end of it, when we finally surrendered Protection both of our trade and our shipping, we were making no progress in comparison with other nations, and in some respects were declining. For example, although after the great war in 1815 the shipping tonnage of the United States was not half that of the United Kingdom, in 1850 the American mercantile marine was very nearly equal to our own in total tonnage, and greatly exceeded it in efficiency; for not only was their tonnage of steamships considerably more than double that of Great Britain, but they beat us in the speed, efficiency, and beauty of their sailing ships. The celebrated "Baltimore Clippers" and "American Liners" almost monopolised the carrying trade between Great Britain and the United States, and no improvement was made in the building of ships in the United Kingdom until after the repeal of the Navigation Laws in 1849. The best historian of this period says: "So long as British shipping was protected they had so much reserved to them they relied on Protection, and did not exert themselves to compete with the United States for the Atlantic trade on equal terms."

The primacy among maritime nations at the period of the abolition of the Navigation Laws can only be doubtfully awarded to this country. The United States, then a weaker Power with a smaller population than our own, had grown to be a dangerous rival, and was rapidly improving her

relative position. It is true our total tonnage of shipping was some four millions of tons to her three and a quarter millions of tons, but in quality she surpassed us greatly. Not only was her steam tonnage more than double that of Great Britain and her Colonies, but, as I have said, her sailing ships were the finest and fastest in the world. We were worthy and well matched rivals in the race. But we had arrived at the parting of the ways. We took the Free Trade path to the right, which has led us to a real sovereignty of the seas. America, a few years later, definitely took the path of Protection to the left, which has led her to a decline almost to the point of the extinction of her foreign shipping trade.

The Repeal of the Corn Laws in 1846 was immediately followed by the movement of 1847 and 1848 for Free Trade in shipping, which resulted in the abolition of the Navigation Laws in 1849 by the Government of Lord John Russell. With the conservatism they have invariably shown, the shipowners clung to their protection. In 1848 the Shipowners' Society of London issued a manifesto in which they said: "If the Navigation Laws are repealed, 'Rule Britannia' would be for ever expunged from our national songs, the glories of Duncan and Nelson would wither like an aspen leaf, and fade like the Tyrian die, and none but Yankees, Swedes, Danes and Norwegian sailors would be found in our ports." The movement for freedom of

shipping was led, not by Cobden, but by the great economist and banker, David Ricardo, who was then a Member of the House of Commons. The Cobden Club reveres the memory of Richard Cobden, but it would be the last body of men to forget to do honour to those who worked at the same time for similar objects on lines parallel with his. In the work of the emancipation of British shipping, the name most to be honoured is that of David Ricardo, and after his name that of Lord John Russell. In 1847 Ricardo carried the appointment of a Select Committee to consider the Navigation Laws, and the evidence brought before this Committee and Mr. Ricardo's report sealed the doom of those Laws. In 1849 they were repealed after severe resistance in the House of Commons, and by a section of the shipowners in the country, by the Government of Lord John Russell.

The debate on the Second Reading of the Bill in the House of Commons was a notable and historic debate. In it Mr. Disraeli declared that: "If Canada had not a Protective duty on corn restored to it as demanded by the Legislative Assembly, Canada would be lost to the British Crown." "Woe to the statesmen and to that policy which plucked this jewel from the Crown of England!" I give this as an example of the prophecies of Protectionist statesmen in those days. Mr. Cobden was not the only prophet. As if to disprove in anticipation Mr. Chamberlain's reckless statement



that Free Trade was adopted by this country only in the belief that her example would speedily be universally followed, Mr. Gladstone, in this very debate, stated that he had no such expectation as to the United States. "America," he said, in this debate of 1849, "is not a lover of Free Trade in the abstract. The Protectionist principle is very strong in America, although it is not so strong with reference to shipping as to manufactures."

Doubtless the great expansion of the trade of the world in the first half of the 19th century was due to other causes than Free Trade or Protection. This expansion had rendered it generally impossible to maintain the mediæval system of the ancient Navigation Laws, with their chartered monopolies and exclusions. The whole system had become riddled with exceptions and exemptions and suspensions, due sometimes to necessity, sometimes to reciprocal treaties. Earlier in the century, in 1813, the trade monopoly of the East India Company was abolished. The emancipation of the Spanish Colonies had thrown open South America. The complications and difficulties of the various Navigation Laws were so extreme that it became one of the most profitable occupations of the shipowner to study these laws for the purpose of evading them.

Great Britain emancipated herself from these fetters at a stroke, and other nations have found it impossible to maintain them. The relics of the ancient system survive in the present day chiefly in

the form of the reservation of their coasting trades by many, though not by all, the civilised nations of the world, certain restrictions on their colonial trades, and in addition to this, in the case of the United States, the restriction of the privileges of the American register, with its exclusive right to the coasting trade, to ships built in America of American materials. The mediæval system in its old barbarous form has universally passed away, and for more than half a century Great Britain has carried on her oversea trade in the atmosphere of the freest competition. In all the previous centuries, we have seen, she possessed no superiority as a shipowning and sea-faring community, and at the time of the Free Trade revolution she might only with some doubt be placed first among mercantile maritime powers.

2. Mr. Chamberlain numbers British shipping among the trades that are "going." In Liverpool, addressing an audience in the greatest ship-owning port of the world, he described it as a "house standing but with rot at the foundations." He told the Liverpool shipowners that "it is not progressing as fast as foreign shipping," and that "you have galloping up, at a greater rate than anything you can command, your bitterest and severest competitors and rivals." And he asked in tragic tones, "How long shall we keep it? How much shall we keep of it?"

In political rhetoric Mr. Chamberlain is a great

artist, and I will not attempt to meet rhetoric with rhetoric. The plain, dry figures from the official tables are more eloquent than all the elegiac poetry of all the "tariff reformers".

The latest returns available for both British and foreign shipping are those of 1902. For that year we are able to compare the tonnage of Great Britain and her Colonies with that of all the principal maritime powers, except Russia, for which country the figure is not yet published, but it may be placed at something slightly under a million tons. The countries we class as "the rest of the world" include Norway, Sweden, Denmark, Germany, Holland, Belgium, France, Spain, Italy, Austria-Hungary, Greece, the United States (foreign trade), China, and Japan. We find that, while the total tonnage of the British Empire in 1902 amounted to 11,566,000 tons, and that for the United Kingdom alone to 10,154,000 tons, the total tonnage of all the countries I have named amounted to 10,891,000 tons; that is to say, the tonnage of the British Empire exceeded that of the rest of the principal maritime nations of the world, excluding Russia, while that of the United Kingdom alone very nearly equalled it.

But Mr. Chamberlain tells us it is not positive statistics we must consider, but comparative statistics. It is not the condition, but the growth of our trade; not where we are, but whither we are going, that matters. He detects "rot" at the

foundations, and says we have behind us "galloping up, at a greater rate than anything we can command, our bitterest and severest competitors and rivals." It required considerable ingenuity to discover a basis upon which to build a theory of the decline of British shipping. It was discovered by Mr. Chamberlain in the figures giving the comparative growth of tonnage of the British Empire and of the rest of the world between the years 1890 and 1901—the increase for the Empire working out at 1,400,000, and that for the "bitter rivals" at 2,200,000 tons. This figure, and another fact to which I will refer later, formed the sole foundation of the theory of decay; but examination shewed there was "rot at the foundation" of the theory. The whole Empire seems to have been selected on this single occasion in order that the real advance of the United Kingdom might be concealed by the debit of Canada's loss of 300,000 tons of her old sailing ships. The real advance of Great Britain alone was 1,629,000 tons. Again, the "bitter rivals'" figure at this period had been swollen by a new item by the creation of a new mercantile fleet by Japan, not out of the profits of her legitimate commerce, but out of her national resources, just as her navy had been created. Exclude Canada on the one hand, and Japan on the other, and we get a fair comparison between this country and her "bitter rivals." We find our own increase to have been over 1,600,000 tons, while that of all the other

countries together, excluding Japan, was 1,200,000. In the year succeeding Mr. Chamberlain's picked period we added 450,000 tons to our register, and all the "bitter rivals" I have mentioned together, including Japan, added not quite 400,000 tons to theirs. This is the last year for which comparative figures are available.

But great as is our preponderance in the tonnage we own, and satisfactory as is our advance in the quantity of the shipping we control, we should make a great omission in our survey were we not to take account of quality as well as of quantity. A ton of shipping is not a thing of uniform value like a ton of lead or pig iron. In cost, in efficiency, in functions, ships vary as much as buildings vary. Many of the ancient sailing ships of Norway would be highly valued at £2 per ton—the new Cunarders will cost something approaching £100 per ton. In efficiency the best authorities calculate three tons of sail as being equal to one ton of steam, the latter at the low speed of ten knots per hour. A mail and passenger steamer of twenty knots differs not only in degree, but in kind and in function, from a ten-knot cargo boat. Again, the efficient and profitable life of a modern steamer is not long, and the comparative average age of the merchant navies of the world is another element to be taken into account.

How do we stand in comparison with other nations in respect of the value, efficiency, and age of our mercantile marine? First, let us compare the

proportion of our steam and sailing ships. We find that out of a total tonnage of the British Empire in 1902 of 11,566,745 tons

Our steam tonnage amounts to 8,691,257

„ sailing „ „ „ 2,875,488

But even these figures are not fair to the United Kingdom, for of this tonnage of 2,875,000 tons of sailing ships, 925,000 belong to the Colonies, almost two-thirds of their tonnage being of sail, while, in the ships of the United Kingdom alone, four-fifths of the tonnage is that of steamers.

Against these imposing figures let us range the steam and sailing fleets of the other principal maritime nations of the world.

In 1902 all the nations I have named together possessed, as I have stated, 10,891,000 tons of shipping. Of this total 6,625,000 tons was that of steamers, and 4,266,000 of sailers—almost in the proportion of three of steam to two of sail, against four of steam to one of sail in the case of this country.

Further, steam tonnage itself varies greatly, both in value and efficiency, and my second point in estimating the quality of our shipping is to compare the character and speed of our steamers with those of foreign nations. For this purpose I divide steam shipping into two classes: those with a lower speed than twelve knots and those with a greater speed. In the higher class I find that, while the United Kingdom possessed more than four and a quarter

millions of tons of high class steamers of more than twelve knots an hour speed, all the countries I have named together possessed little more than two and a quarter millions of tons of the same character. Taking the lower grade of steamers, those of less speed than twelve knots, a high shipping authority, the editor of the *Shipping World*, after long and careful research and compilation, last year made and published an estimate which I believe to be unchallenged—that the average speed of British steamers of less than twelve knots is ten knots, and of foreign steamers in the same category the average speed is eight and a half knots, a prodigious difference in calculating the value and utility of these lower grade cargo boats. The same authority made as careful an estimate as it is possible to make of the comparative efficiency of the British and foreign mercantile steam fleets. Taking a ten-knot steamer as the unit, and adding or deducting from tonnage in proportion to the departure from this standard of speed, to obtain the potential carrying power of British commercial shipping in comparison with that of the rest of the world, he finds that our potential carrying power is represented by the figure 16,445,000 against 13,061,000 for that of all other countries combined; while if steam tonnage alone is taken the figures for this country and all other countries taken together are 15,834,000 and 11,555,000 respectively—for potential efficiency.

My last point, and a most important point, in

estimating the quality of our shipping in comparison with that of other countries is the comparative age of the vessels of which they are composed. To take out from the registers of shipping the ages of all the British and foreign steamers and calculate the average, would be a labour too great to be undertaken, but we are not without the means of coming to a clear judgment as to the general superiority of British shipping in this particular also. We know that it is the custom of the British shipowner to sell his old and inferior boats to the foreigner and build new ones for himself. I find that no less than 300,000 tons of British shipping was transferred to foreign registers in 1903, and of this no less than 34 per cent. was built before 1880, 59 per cent. before 1885, and 71 per cent. before 1890. This in a single year. In that and the nine preceding years 3,633,000 tons have been so transferred, including 700,000 tons of sail, so that the yearly average of vessels transferred is 360,000 tons, mostly old. In the age and up-to-date character of our ships, as well as in speed, have we the advantage.

Our review therefore shews that in the quality as well as in the extent of our mercantile marine, we enjoy a very considerable superiority, the extent of which, however, it is difficult accurately to estimate.

With a position of such splendid isolation as we enjoy, one asks, Where can be the weak spot, how can the most skilful archer discover the "joints in our harness"? Was Mr. Chamberlain deeper in the



realms of visions and dreams than usual when he spoke of our "bitterest rivals galloping up at a greater rate than anything we can command"? The airy fabric of his vision is almost, but not entirely, a figment of his brain: it had a very slender real base. He or the industrious armchair statisticians of the Tariff Reform League examined the columns of official figures until they discovered not only the one I have quoted and, I trust, demolished, relating to the tonnage we own, but another that appeared to tell against this country. They discovered that the tonnage of foreign shipping that entered and cleared from our ports during the years 1890 to 1900 had increased not only at a greater rate, but actually to a greater extent than the British tonnage, and that this phenomenon was observable at foreign ports also. Between 1890 and 1900 the foreign tonnage using our ports had increased from 20 millions of tons to 35 millions, while the British tonnage had only increased from 54 millions to 62 millions. Clearly our trade is departing. Here is the "rot at the foundations."

It is a curious thing that the Tariff Reformers no sooner discover a phenomenon which appears to tell to the disadvantage of their country, whether it concerns shipping, imports and exports of manufactured goods, or proportion of foreign and colonial trade, than this phenomenon at once ceases to operate. They had no sooner called attention to this menacing encroachment of the foreigner than

it ceased. From 1900 to 1903 we find the process entirely reversed, and the tonnage of British shipping entered and cleared from our ports increased by  $6\frac{1}{2}$  millions of tons, while that of foreign shipping increased by just over half a million tons. But even before these later figures were available, the use made of the striking figure of the increase of foreign tonnage using our ports from 1890 to 1900 is a proof that Mr. Chamberlain and his Tariff Reform advisers are, what I have called them, "armchair statisticians," and unacquainted with the vital forces and facts which their figures represent. Had they been practically acquainted with the trade they criticise, they would have known that a considerable portion of the foreign increase in our ports is due to two items,—first, the calls of the great German Atlantic steamers at Southampton, Plymouth, and Dover, at which ports they remain half-an-hour to embark or land a few passengers, and in no way touch the export and import trade of the country; and second, to the existence of a small number of new Channel passenger steamers, owned by the continental railway companies, which enter our ports daily all the year round, and are counted scores of times in the course of the year. Making allowance for these items, however, we do find that the foreign tonnage using our ports increased during a considerable period to a disproportionate extent. What inference would a practical commercial man draw from this phenomenon? He would see the

extent and growth of our shipping, and that it is no less well employed than foreign shipping. He would suspect that entrances and clearances from ports are not the true test of shipping activities. He would suspect that these foreign ships were being employed in the more local trades, that the inferior ships were, in fact, engaged in the inferior trades, and that the great long-distance ocean trades were chiefly in British hands. Examination would shew that this is the case, and that the figures which disquiet Mr. Chamberlain have little ominous significance. I guard myself here and say little ominous significance, not absolutely none, for there is a slight residuum of reason in his argument and meaning in his figures which point to a weak spot in our policy—not our commercial policy, but in our national legal system, to which I will allude later when I come to consider the true national policy to adopt towards our shipping.

3. I have now passed in rapid review our shipping trade, first in the pre-Free Trade ages, when it was small and gave no indication of attaining its present position and supremacy; and, second, I have described it as it is to-day—the most splendid trade ever built up by human enterprise. We have next to consider to what this unparalleled success is due. It is easy and flattering to our vanity to say it is due to our superior national courage and aptitude for the life of the sea, to our superior inventiveness, energy and enterprise. While I should be the last to deny

the possession of these qualities to my fellow countrymen, I think no one will maintain that we are as superior to our fellow creatures generally in our courage, energy, and enterprise as we are in the tonnage and character of our merchant shipping. We may rightly be proud of Raleigh and Drake, of Cabot and Captain Cooke, but we cannot pretend they are superior as sailors and discoverers to Columbus, Vasco di Gama, or Tasman. In the art and the science of ship-building the French have always been well to the front. In the great war, Nelson's best ships were those he had captured, of French build. In our own time the French have more than once given us a lead in naval construction; the first armoured ship was French; it was the French who introduced the water-tube boilers, and constructed the first submarines. The coasts of Normandy and Brittany have always furnished hardy and courageous sailors and fishermen, and yet to-day France stands low in the scale of mercantile maritime powers, notwithstanding the extravagant subsidies she pays to her shipbuilders and shipowners.

America contests with us the honour of first successfully applying steam to navigation. Fulton's experimental boat in 1798 was four years earlier than Symington's "Clermont" on the Forth and Clyde canal. The "Savannah" in 1819 was the first vessel with auxiliary steam to cross the Atlantic. Both in the construction of sailing ships and in the improvement of the early marine engine, America

led. As I have shewn, at the time we adopted Free Trade and abolished the Navigation Laws, she was rapidly advancing to the first position. And now her merchant shipping for foreign trade has declined almost to the point of extinction.

What, then, is the reason of our supremacy in this trade—the most national, the most imperial, the most desirable, the most envied of all the trades that any nation can possess? The reply, beyond all question or possibility of contradiction, must be our Free Trade policy, coupled as it has been with the Protectionist policy adopted, unfortunately for themselves, by other countries. To the first we owe our own prosperity, to the second our lonely pre-eminence on the sea. With the adoption of Free Trade we at once took the lead in the race; with the adoption of Protection, with every increase of population, in proportion to the severity of their Protective tariffs have other nations fallen behind. I have prepared a table which proves my case in a very striking manner (see Appendix A). I confess the result of this little calculation was startling even to myself, showing, as it does, with something of the inevitability of a law of nature, that as the import tariff of a nation goes up so does its register of shipping go down.

In their new Blue Book the Board of Trade give a list of the principal countries of the world, ranged in the order of demerit according to the severity of their import tariff, headed by Russia with a tariff of

131 per cent., and America with 73 per cent., downwards through Austria, France, Germany, to Norway, and to Holland at the bottom of the list with its tariff of 3 per cent. I have made up a table showing the amount of foreign mercantile steam shipping tonnage per inhabitant of the principal maritime nations, and it is curious and significant to see how the order in which the nations appear is very nearly exactly the inverse order to that of the amount of their tariff. At the head of foreign nations stands Norway with one ton of shipping to every four inhabitants, then Denmark, Greece, and Holland. We descend through Germany, with one ton of shipping to every 34 inhabitants, France with 1 to 71, Austria with 1 to 110, until we reach the United States with 1 to 166, and finally Russia with 1 ton of shipping to every 330 inhabitants.

I do not wish to carry my inference from these figures further than is reasonable. Doubtless it is natural that maritime Norway should take to the sea to a greater extent than inland Austria. But it is clear that, among those nations to whom the commerce of the ocean is conveniently open, those who, in the words of Sir Walter Raleigh I have quoted, "give free customs inwards and outwards for the better maintenance and encouragement of navigation" are the nations which secure the trade.

In America, the greatest sinner in her Protective policy and the greatest sufferer in her shipping, the connection between cause and effect seems to be

universally admitted. Witness after witness before the Commission on the Mercantile Marine lately sitting in the United States testified to this effect. "Other things being equal," said one important witness, "it is not possible to compete with Free Trade in building and operating ships. I think that has been shown." Another very important witness stated that "the present condition of the American merchant marine has been caused by the high Protective tariff upon all other products." These are examples of the universal testimony. Cause and effect being admitted, differences of opinion arise when they come to consider the cure. The condition of trade in a protected country is never satisfactory to the country itself, and America is dissatisfied, and is faced with the two eternal alternatives claiming to be remedies, perpetually presented to Protectionist communities—Free Trade on the one hand and more Protection on the other. The majority of this Commission have reported in favour of a small additional dose of Protection, the minority in favour of a still smaller dose; but whether these reports will ever take form in law remains very uncertain. We, as British shipowners, can afford to regard either decision, both on this question and the larger one of a general reform of their tariff, with equanimity. Should President Roosevelt succeed in reforming their tariff the total volume of trade would doubtless increase, and their shipping, if emancipated, might share it. Should

they add Protection to Protection we tighten our grip of a trade which they cannot altogether prevent expanding slowly from year to year.

It is impossible to resist coming to these two conclusions: (1) that the magnitude and prosperity of our mercantile marine is built upon the foundation of our Free Trade policy, and (2) that our extraordinary supremacy, our monopoly, is the direct and inevitable consequence of the Protective policy of our neighbours. The laws which govern international trade, the great automatic mechanism of exchange, forces us to pay for our imports, and forces the sellers to receive our payments. To the best of their ability they exclude our cotton goods and our iron, and compel our payments to take the form of our shipping services. Professor Ashley, while fully admitting the accuracy of the theory of foreign exchange and the absolute inevitability of the commercial equilibrium, endeavours to show that although the foreigners cannot altogether refuse our goods in payment for their own they can force us to send them our inferior articles, the products of our cheapest and lowest labour. How insignificant do his examples appear when set against not only our rapidly increasing exports of highly complicated and highly finished machinery, but still more when set against this invisible export, which is nevertheless our greatest and our best export—our shipping services.

Mr. Chamberlain places in contrast our historic, healthy exports of what he calls our "staple"



industries, the products of British labour, and those insidious, spurious, invisible exports, which he seems to regard as some trick played upon the simple foreigner by millionaire importers to escape the honest payment for their imports by the honest produce of honest British labour. At Preston he said, "In order to prove that there is one pound of exports for one of imports Mr. Asquith has to go to invisible exports." And he goes on to say, "He," the British working man, "is being more and more paid with invisible exports. What does he get out of them—out of the freights? He gets very little. The wages in the shipping trade, I am sorry to say, are a small and diminishing quantity." What does the reader think of that as an example of economic analysis! Notice the confusion of thought in the statement that the British working man is being "paid," not "paying," with invisible exports—the ingrained incapacity of the Tariff Reformer to distinguish between debit and credit. According to Mr. Chamberlain, it is "what goeth out of a man" that feeds him, and "what entereth in that defileth the man." If an export be good or bad according to the amount of British labour it contains, I would ask, where shall we place this export which is all labour and therefore invisible? We export 70 millions' worth of cotton goods, but out of the 70 million the manufacturer has to pay 40 millions to the foreigner for the raw material; but our shipping service, our greatest export, is all British labour. It consists of

ships built and engined in British yards by British hands, by British material, officered, engineered and generally manned by British subjects, provisioned and repaired in British ports, insured in British offices, and coaled with British coal. Every penny of its gross earnings, except only the small sum inevitably paid for dues and labour in foreign ports, goes into British pockets; in good times a little remains in the pockets of the shipowners, in bad times it is all paid out, and is spent in feeding, clothing, and housing innumerable thousands of British citizens. This is the industry forming our great invisible export, out of which the British working men "get very little." The slightest examination shews that not only is the shipping industry our noblest industry, and our shipping services our greatest export, though "invisible" in the Board of Trade Returns, but of all our exports it is that which has provided the greatest amount of well-paid employment at home.

And this great shipping industry of ours is the child of our Free Trade policy, assisted into its present position of lonely pre-eminence by the protectionist follies of protectionist neighbours.

4. Finally, I wish to add a few words of criticism. An English Free Trader cannot but be, in some degree, an optimist, but he need not be a blind optimist. I have already admitted there is a residuum of reason in Mr. Chamberlain's alarm at the growth of the entrances and clearances of foreign

tonnage in our ports. But it is no "rot at the foundations" that is the matter with British shipping, nor any rot in any part of the superstructure. British shipping has been "wounded in the house of her friends." Her worst enemy has been in the past the British Parliament, and is at present the British Government—I say the Government deliberately, for Parliament, even this Parliament, has made several efforts to repair its own acts of injustice to our shipping, but without the co-operation or against the opposition of the Government even a majority of the House of Commons is powerless on a question of this character. The case against the Government is so well put by one of the very highest authorities in England on shipping and shipping law, Mr. Norman Hill, that I cannot do better than quote his words. He says: "How have we promoted our oversea trade, and what encouragement have we given to our shipowners?"

"We have left them to work under obsolete rules and regulations made fifty years ago."

We have insisted, and properly insisted, on such a "standard of safety as has driven all but the best found ships from under our flag. But we have not insisted on the observance of this standard on foreign ships, even in the ports of the United Kingdom, and vessels sold under our flag, because they could not be sailed to a profit in compliance with our standard, have been allowed freely to trade in and out of our ports, in competition with our own ships.

“ We have made our shipowners liable to foreigners for losses arising in their business to an extent far in excess of that to which foreign shipowners are liable.

“ We have driven away a portion of our transit trade, and we have hampered the working of the remainder by the Merchandise Marks Act.

“ We have until lately extorted, at the expense of our shipowners, profits out of the lighthouses; we still leave them to bear the whole cost of lighting the coast.

“ We have left the railways to be worked in the interests of the shareholders, whose object is naturally to secure the largest profits attainable from the carriage of our exports, without actually destroying any particular trade. We have not developed our canals. We have done, as a nation, nothing to develop our ports.”

In his effort strictly to avoid showing a party bias, Mr. Norman Hill says “ Parliament,” not Government; but the succeeding passage shows that the House of Commons, whatever may be its temporary party complexion, is willing to repair its own errors, and that its efforts have been thwarted by the Government.

Mr. Hill continues: “ A Select Committee reported, in 1897, in favour of exempting the transit trade from the operation of the Merchandise Marks Act, but nothing has been done.

“ A Select Committee reported, in 1902, in favour

of the Board of Trade regulations being enforced against foreign ships equally with British ships, but nothing has been done.

“No less than six select or departmental committees have between 1822 and 1902 reported in favour of the abolition of the light dues, but nothing has been done.

“Has not Parliament some arrears to dispose of before it takes up the business of endeavouring to develop and remodel our international trade with the assistance of tariffs?”

We are Free Traders, and we are prepared to meet any foreigners and all foreigners in free and open competition in our own ports. We Free Traders have a special right to require that our own Government should not undermine our maritime supremacy by giving Protection to foreigners as against ourselves. This is the particular kind of Protection we most of all abhor. That British shipowners should cease to be made to suffer from special disabilities in British ports imposed by British law is our first demand; and our second is that Government and Parliament should adopt an intelligent policy in the general legislation affecting shipping and our foreign trade; that it should cease to tax our ports by the imposition of light dues, abandoned by other civilised countries; that, on the contrary, it should do all properly in its province and in its power to promote the improvement of our ports and the inland waterways, upon which the

prosperity not only of our shipping but the whole of our foreign trade so largely depends.

I have attempted in this paper to shew, in the most impressive manner possible, that is by the use of plain figures, more eloquent than any Protectionist rhetoric, the stately figure of the British Mercantile Fleet, the visible incarnation of the Britannia that to-day, and more than ever to-day, is the ruler of the waves. And in contrast we have contemplated the pigmy, and in some cases decaying, squadrons of the Protectionist nations, once our rivals and superiors.

We have seen that this empire was not inherited by us from past ages, but that it is in fact the last great conquest of the British flag, and that we have had to win it ourselves, upon the open ocean, in free competition with all other maritime nations. We have seen that we had no conspicuous superiority for the struggle to start with, either in our geographical situation, or our national characteristics. We have seen that one factor in its two aspects has dominated and decided the issue. Our Free Trade policy has given us our shipping prosperity, and the Protectionist policy of our rivals—rivals no longer—has converted the prosperity into a predominance amounting in many respects to monopoly. We have seen that the only wounds that have seriously hurt us have been self-inflicted, and that with fair treatment (and we ask no more) from our rulers, we may reasonably hope for British shipping a future that will equal and even surpass its past.

APPENDIA.

## APPENDIX A.

AVERAGE AD VALOREM EQUIVALENT OF THE IMPORT DUTIES LEVIED BY THE UNDER- MENTIONED COUNTRIES.	AMOUNT OF STEAM SHIPPING TONNAGE PER INHABITANT OF THE UNDERMENTIONED COUN- TRIES.		
Russia...	131 per cent.	Russia ...	1 ton to every 330 inhabitants.
United States	73 "	U.S. ...	" " 166 "
Austria-Hungary	35 "	Austria ...	" " 110 "
France	34 "	Italy ...	" " 72 "
Italy ...	27 "	France ...	" " 71 "
Germany	25 "	Germany	" " 34 "
Sweden	23 "	Sweden...	" " 24 "
Greece	19 "	Holland	" " 15 "
Denmark	18 "	Greece ...	" " 12 "
Norway	12 "	Denmark	" " 9 "
Holland	3 "	Norway	" " 4 "
United Kingdom—No Protectionist Tariff.		United Kingdom	" " 4.6 "



## APPENDIX B.

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### SHIPPING AND THE NEW FISCAL POLICY

(From "*The Free Trader*," Oct. 2 and 9, 1902).

The shipping trade, almost alone among our great industries, is not dependent upon local advantages. Providence has decreed that South Wales and Pennsylvania shall be great centres of coal production; climate has greatly assisted to locate the spinning and manufacture of cotton in Lancashire; proximity to fuel and convenience in obtaining raw material fix the centres of most manufacturing industries. But our unique and supreme position, as the carriers of the world, we have won for ourselves in unfavoured competition with all other nations upon the open ocean. Even if it be admitted that in the building of ships we have local advantages, our shipyards are open to men of all nations on equal terms with Englishmen, and shipbuilders are seldom themselves shipowners. Without any special advantages, therefore, we have captured and hold an unquestioned and unchallenged supremacy in this great industry. To us, as an island people, with the largest markets in the world, the greatest volume of imports and exports, and dependent to a greater extent than any other on imported food, it is obvious that the possession of a great and efficient mercantile marine must be of vital importance; but it is not also generally realised, even in shipping circles, that the business of ship-owning and ship management is actually, in itself, the most important and valuable single branch of our commercial activities. Doubtless, coal-mining employs more men, and our railways have a capital more than five times as great as that invested in ships; but the annual gross earnings of our mercantile marine are about equal to the total gross earnings of all our railways put together, which amounted to £106,000,000

in 1902, and considerably more than the value of the total product of our largest manufacture, that of cotton, which, it is estimated, reaches a total of £90,000,000.

Let us consider (*a*) any possible consequences of any possible legislation directly designed to protect the British shipowner, and (*b*) the consequences to shipowners of a general system of Colonial Preference and of Protection.

(*a*) If preferential and protective duties and bounties are to be distributed broadcast, the inquiry has suggested itself to some members of the trade, why should not shipping participate directly and get its share of the spoil? To these inquirers it may be pointed out that the State can only interpose by fiscal legislation designed directly to benefit shipping in two ways—by direct subsidies, or by restrictions to be imposed on foreigners. It is unnecessary to consider the question of direct subsidies, except as payments for definite services rendered to the State, for they have quite recently been declared by the Subsidy Select Committee to be “costly and inexpedient,” and the desire for State aid of this character has been emphatically and almost unanimously repudiated by the trade.

The only other protective suggestion is that of restricting the “coasting” trade, that is all inter-Empire trade, such as a voyage from Montreal to Melbourne, or Vancouver to Cape Town, to vessels sailing under the British flag. This is a proposal that has the modified approval of the Subsidies Committee and of many shipping authorities. In taking such a step we should only be following the example of France, Russia, the United States, and other countries. At first sight it appeals strongly to both the self interest and patriotic sentiment of the British shipowner. The argument that, to my mind, is decisive against it is one of expediency and prudence only. Is it worth while to risk so much to gain so little? I think it is not,

for the total volume of our trade with British possessions carried by foreign ships is not more than  $1\frac{1}{4}$  per cent. of our total foreign trade, and but one-tenth of the trade between the United Kingdom and her colonies and dependencies. For the sake of excluding less than one million tons of shipping, entering and clearing from our ports with cargoes from and to our Colonies, we should risk retaliation, which might affect a trade of 90 millions of tons.

(b) But of far greater importance to British shipping than any direct advantage it might secure for itself, at the cost of the general community, by direct subsidies or privileges, would be the loss caused by the disturbance of the present system of the exchange of commodities between different parts of the world, a system of which British shipping has been, in part, the creator, and is in part the product; and the further loss caused by the inevitable contraction of the total volume of exchangeable goods which any interference with the free flow of commerce would cause. The British Mercantile Marine and the trade which it serves is a mechanism of infinite complexity. It has been built up by the co-operation of unnumbered forces and men, many of them men of the greatest commercial capacity and even genius. Every successful shipowner knows that by far the most effective element in his success has been the possession of vessels exactly adapted to the particular branch of trade in which it is engaged. He knows that one of his ships will make money for him, even in bad times, while another will lose money. He knows that he might as profitably take his fleet into mid-ocean and scuttle it uninsured as to put it into a trade for which it is not adapted. A sudden change in our national fiscal policy, therefore, which would alter the great routes of trade would practically annihilate much of his property. A steamer, comparatively small, engaged in the timber trade of the Baltic, or one of

moderate capacity and light draft, built specially for the grain trade of the Black Sea and Danube, could not to be diverted to Canada and live commercially.

Again, one of the principal causes of the cheapness of our imports of food and raw materials is the great advantage this country possesses in being always able to freight the ships which bring to us our supplies with cargoes of coal for their outward voyages. Those who study the Board of Trade returns, and see coal as an item among items, and far from being the largest in point of value, do not realise that in point of weight and bulk it is not only our largest, but is practically our only, export. Our exported coal exceeds in weight the weight of all our imports taken together, and in the international exchange, which is roughly maintained, of weight for weight, as is the exchange more accurately and scientifically maintained of value for value, it is coal that pays for all. Our other exports are of great value but small bulk, and are taken almost entirely by the great liners. Our tramp steamers go out loaded with coal, and return to us loaded with timber, corn, ores, sugar, and all the other things we need.

Now, it is to be observed that our Colonies do not take and do not need our coal. Australia has her own coal, Canada is, and ever will be, supplied from Nova Scotia ; and Pennsylvania, the Cape, and the Transvaal Colony are becoming each year more independent of our coal. More than forty millions of the forty-three millions of tons of coal we shipped last year was taken by foreign countries. If the trade of this country, therefore, is to be diverted, to any extent, from its present numerous and varied channels into a few great inter-Empire routes, to that extent the tramp steamers will be displaced, and our export coal trade will suffer a check, compared with which the imposition of the coal duty two years ago was an insignificant inconvenience.

But, to my mind, the greatest danger of embarking on a new policy of restrictions and preferences is that of retaliation by foreign countries. Whenever this possibility is pointed out the statement of it is invariably met with an appeal to prejudices and passions only too easily excited. What can they do more than they do now? Let them do their worst! Shall we take it lying down? These are the forms of the usual retort, and the careless "man in the street" is too apt to base his opinion on the phrase that appears to him to indicate the bolder and more patriotic policy. But the shipowner and the shipping community may be asked to remember what are the odds they give to the adversary in a contest of commercial retaliation and reprisals. They place at risk the prosperity of the most splendid trade ever built up by human enterprise, to gain—I cannot see what there is to gain.

Also, it is quite the contrary of the truth to say that foreign nations have done their worst against English trade. They have not begun to take the first step in the path of retaliation. True, they have imposed high protective duties on imports. Free Traders think these duties are injurious both to the nation imposing them and to us. Foreigners think they are profitable to themselves, but they admit they are incidentally injurious to us. Without exception, they would assert, and assert truly, that the tariffs are not designed with the object of injuring us. They do not discriminate against us, and they give us, practically without exception, "the most-favoured-nation" treatment, the only exception being a few cases of goods we do not produce, such as works of art from Italy, which have some privilege in entering the United States.

Retaliation is quite a different thing. It means a measure directly framed to injure another. . . . What form will the retaliation take? Undoubtedly

the most obvious, the most direct, and the most effective blow that could be given to this country would be to strike at British shipping. It would not disorganise their protective tariffs, and, so far as the policy would injure themselves, it would be fair to all their industries alike.

That retaliation would take this form is not a mere conjecture. One nation at least, the United States, has already forged and tempered her weapon.

Revised Statute 2,502, passed by Congress on August 27th, 1894 (Sec. 14), runs as follows:

“A discriminating duty of 10 per cent. *ad valorem*, in addition to the duties imposed by law, shall be levied, collected, and paid on all goods, wares, or merchandise which shall be imported in vessels not of the United States; but this discriminating duty shall not apply to goods, wares, and merchandise which shall be imported in vessels not of the United States, entitled by treaty or any Act of Congress to be entered in the ports of the United States on payment of the same duties as shall then be paid on goods, wares, and merchandise imported in vessels of the United States.”

From this it is clear that in the absence of such treaty right, goods imported into America by British ships would have to pay an extra duty of 10 per cent. *ad valorem*. I would ask what would be the prospect of obtaining such a treaty were we to refuse to give what the United States would consider “most-favoured-nation” treatment?

Should this country adopt a tariff embodying a system of preferences and exclusions, it seems to me that we shall not then be at the end, but at the beginning of a “big fight.” And, in this conflict, it is the shipping trade that will be put, like Uriah of old, in the forefront of the battle.

# INSULAR FREE TRADE

THEORY AND EXPERIENCE

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CAXTON HOUSE, WESTMINSTER, S.W.

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## NOTE.

THIS pamphlet is a reprint of a lecture I delivered in Birmingham in 1905, considerably extended, with the few figures I made use of brought up to date. I have retained the original form so far as the use of the first person in matters relating to personal experience.

I assume on the part of my readers a knowledge of the published records of international trade, and of the statistical case for Free Trade and Tariff Reform as presented to the country by their respective advocates.

My object has been to bring into opposition the two theories of foreign trade—that of List and his followers and that of Adam Smith and Free Traders, with the fruits of their policies as practised by foreign nations and by ourselves respectively; and to add inductive proof or disproof from the experience of two generations, to abstract deductive argument.

RUSSELL REA.

*January, 1908.*



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## SECTION I.

### THE TWO THEORIES.

#### THE FUNCTIONS AND LIMITS OF FOREIGN TRADE.

BEFORE entering into the consideration of a theory of foreign trade, either the Free Trade theory or any Protectionist theory, it is necessary to have a clear idea of the functions and limits of foreign trade in a nation.

In the great economic controversy in which the people of this country have been engaged during the last five years, it has been an error, committed sometimes by Free Traders, and almost always by Tariff Reformers, to speak of our foreign trade as our "trade." Tariff Reformers have even published statements of our exports and imports, and called them our "National Balance Sheet." Nothing could be more misleading. To one nation a foreign trade may be a matter of small importance, and a very minute proportion of the national industrial energy be directed to the production of goods for export; to another it may be of the greatest importance; but, taken alone, its foreign trade is no measure of a nation's activities, its income, its prosperity. The truth is, the income of every nation is the produce of its own industry, made either in its own home by its own citizens, or its own capital and the enter-

prise of its own domiciled citizens abroad—that and nothing more. The portion of this produce it may suit one nation to exchange for the produce of other countries is no indication at all of the quantity remaining which it does not suit such nation to exchange. The amount of foreign trade of a nation, therefore, is no sufficient indication of its activities or prosperity, and to speak of a table of exports and imports as a national balance sheet is absurd.

During the course of the fiscal controversy, Free Traders have pointed to the total sum of our exports and imports, and the amount by which these exceed, both in gross and per head, those of foreign nations, as in themselves a proof of our superior efficiency and wealth; Tariff Reformers have pointed to the more rapid growth of the exports of certain foreign countries in certain years as in itself a proof of our relative decadence in efficiency and prosperity. Neither of these arguments is economically sound. The foreign trade of the United States, for example, does not amount to one-third per head of that of the United Kingdom, but the average income of the American is now at least as great as that of the Englishman. It is, however, scarcely a real necessity to him to import anything at all. His imports of food are practically confined to sugar, tea, coffee, wine and spirits, and fruits; his imports of raw materials chiefly to silk, hides, indiarubber; and those of manufactured goods to special goods and articles of luxury, diamonds being an item of importance, not to staple manufactures for general consumption; while

the great American exports of raw cotton and food stuffs are only rendered necessary as payment for the prodigious expenditure of American citizens in Europe.\*

To different nations in varying degrees is a foreign commerce valuable, and to some necessary. To ourselves, who have to import most of our raw material, and half our food, a great export trade is not only valuable, but vital.

And the question forced upon us to-day is, How shall we best preserve our great export trade by which we pay for our imports? Shall we continue our present policy of Free Trade, whatever course may be pursued by foreign nations, or shall we regulate our exchange by tariffs and preferences?

#### THE FUNDAMENTAL AXIOM ADMITTED AS THE BASIS OF BOTH THEORIES.

I will not insult the intelligence of my readers by stopping to prove that foreign trade is really exchange and nothing else, that imports are paid for by exported goods and services and by nothing else. There is no living or dead economist, English

\* The late Edward Atkinson, a few weeks before his lamented death, stated to the writer his reasons for believing that this import of the United States cannot be less than 60 millions, and may reach 80 millions sterling per annum. This is, of course, as genuine an American import as any which passes through an American Custom house. It is imported direct into the stomachs and on to the backs of American citizens, and in the supply of their various personal wants, and is paid for by the drafts which Brown, Shipley and Co., Baring Bros., etc., meet out of the proceeds of the sale of cotton in Liverpool, or corn at Mark Lane.

or foreign, Protectionist or Free Trader, who doubts it. The Protectionist Professor Ashley calls the notion that imports are paid for by money which might otherwise "be spent at home," "the crudest of popular fallacies, which ought no longer to need refutation." That very able Tariff Reform champion, Mr. J. L. Garvin, says, "It is true that every import must develop a corresponding export." Every international banker and bill broker conducts his business on this fundamental assumption, and proves its truth in practice every day. Yet, while every man with one grain of capacity to understand a perfect deductive argument, or any practical experience in international commerce, knows, and will explicitly admit, that exports pay for imports, nine-tenths of the arguments of the Tariff Reformers are implicit denials of this fact. All the arguments of various kinds of British manufacturers, who truly enough point out that foreign goods are imported into this country in successful competition with their goods, and that these goods might be made here, and British labour employed to make them, are arguments of this nature, they are implicit denials of the axiom that these imports are now being paid for, and must be paid for, by the produce of British labour, though perhaps not of the labour employed by the manufacturer advancing the argument.

It is necessary to be always on the watch for some implicit denial of this fundamental principle. For my own part, I always remember that when a man asks that the German iron or American window



frames should be excluded from this country for his benefit, he is asking, unconsciously, that my ship which is earning the money to pay for these articles shall be put out of commission and laid up.

#### THE PARTING OF THE TWO THEORIES.

The fact being accepted by the common consent of all instructed persons, that exports and imports do and must balance, we are prepared to consider the rival economic theories and policies—that of the regulation of imports by Protection, and that of Free Trade. Mr. J. L. Garvin says, as I have quoted already, "It is true that every import must develop an export," but he goes on to say, "The vital question is, What do you exchange for what?" This is a perfectly accurate and fair statement of the point at which dispute arises between instructed Tariff Reformers and Free Traders. By instructed Tariff Reformers, I mean, of course, persons who have some knowledge of the theory and practice of the international exchange—first of products, then of Bills of Exchange, and then of bullion and the precious metals. Among the advocates of Protection in and for England, these men are a minute minority. They are to be distinguished from the vulgar intriguing manufacturer, who seeks to establish a corner at home. They are to be distinguished from those working men, fortunately few in number, who can see that they and their particular trade would profit at the moment if all the rest of the people would consent to be taxed for their benefit, and cannot

see a step beyond. These men are the brain of the Tariff Reform party, and they profess, not only to be economists, but to be the most advanced and the most scientific of theoretical economists. They tell us that the old faith delivered to us as an everlasting gospel by Adam Smith and Cobden was no such thing, but was an excellent temporary system which it suited England to adopt sixty years ago; but to maintain that it is a policy fitted for every nation, at every stage of its economical development, is to write yourself down an ancient fossil—a petrified survivor of a former period of economic thought. The gospel of the modern “historical” and “scientific” school, put forward in Germany sixty years ago by Friedrich List, and preached by his disciples and successors ever since, has, they say, entirely superseded the ancient doctrine, which they nickname “Smithsianismus” and “cosmopolitan Free Trade.”

In considering the rival theories, that of Free Trade as expounded by Adam Smith, preached by Richard Cobden, and adopted by England, and the Protectionist theory as promulgated by Friedrich List and his followers, and put into practice by almost all other countries, including our own Colonies, I shall not enter on the academic argument that Free Trade is the best system for all nations, in all possible circumstances, in all periods of their growth, that it is demonstrably right for all time and all space, as a general economic proposition. Still less shall I attempt to prove that no other

national considerations than those purely economic should influence a national policy of foreign trade. I shall confine this argument to an examination of contemporary commercial phenomena, the growth and the present lines of development of international trade, considered specially in relation to this country at the present time, and attempt to show that, whether one holds fast to the theory of Adam Smith, or adopts the Protectionist theory of List, Free Trade is not only the best, but the only possible fiscal system for this country.

#### THE PROTECTIONIST THEORY.

And first, what is this new learning, and what is the light we can gain from it? We find on examination that Friedrich List and his followers declare themselves to be the only worshippers at the shrine of true Free Trade, and that Richard Cobden's clumsy foot had desecrated her temple, his sacrilegious hand had torn down her veil, and his profane tongue had uttered her mysteries to nations which had for long ages to live and labour before they could be ready for initiation.

Of Free Trade itself, the abstract "Free Trade," written in capital letters, and uttered in whispers, List, writing about the time of the institution of the German Zollverein, says: "In the Union of the three Kingdoms of Great Britain and Ireland, the world witnesses a great and irrefragable example of the immeasurable efficiency of Free Trade between united nations. Let us only suppose all other

nations of the earth to be united in a similar manner, and the most vivid imagination will not be able to picture to itself the sum of prosperity and good fortune which the whole human race would thereby gain." And he piously adds: "Unquestionably, the idea of a universal confederation, and a perpetual peace, is commended both by common sense and religion." Having thus given us a glimpse of a vision brighter than "the most vivid imagination can picture to itself," he straightway slams the door of the temple, and says, "It is not for us or our children's children;" the way to go is long and hard, and for each nation it has three great stages, long as geological periods, to be passed, not by one, but by all nations, before universal Free Trade can come. In the first, a nation will "adopt Free Trade with more advanced nations as a means of raising itself from a state of barbarism, and of making advances in agriculture; in the second stage, promoting the growth of manufactures, fisheries, navigation, and foreign trade by means of commercial restrictions; and in the last stage, after reaching the highest degree of wealth and power, by gradually reverting to the principle of Free Trade and of unrestricted competition in the home as well as in foreign markets, that so their agriculturists, manufacturers, and merchants may be preserved from indolence, and stimulated to retain the supremacy they have acquired." Note that this last stage must necessarily be a state of one-sided Free Trade for the more advanced nations, until all nations have achieved

the same level of economic development. This, says List, is the natural economic order, which would, in due course, lead to a millennium of universal Free Trade, if nations were composed of fleshless and bloodless calculating economic units. But the units and the rulers of a nation are jealous, passionate, human beings, and a nation has other interests and other ideals than those purely material and economic.

It is certain that the nations of the world will not consent to pursue the even scientific path of their natural economic development. Therefore, however sound the theory may be, the facts of life must be looked in the face, and even the sound economic theory must bend to a National Policy. Wars will happen, and a nation economically dependent upon other countries, either for food or manufactures, will be at a fatal disadvantage against a more self-contained people. Therefore, this natural economic order of progress, from an infancy of Free Trade, through an apprenticeship of Protection, on to a manhood of Free Trade, must be controlled and modified by considerations not economic but political and social. And thus arose the *National Economics* of List and his followers—the foundation principle being, in his own words, “Every great nation must seek, before all other things, the independent and uniform development of its own powers and resources. Agriculture, manufactures, commerce, and navigation must all be developed in a nation proportionately.”

It is now sixty years since List lived and wrote

his greatest book, "The National System of Political Economy." At that time the manufactures of Germany were insignificant, and her exports chiefly agricultural produce. His immediate object was to persuade his countrymen to enter upon his second economic stage, that of protection of their manufactures, that they might thus develop their own powers to manufacture for themselves; and, to induce them to face a certain immediate loss and burden, he invented his celebrated dogma that immediate production and enjoyment are not the principal thing, but "Productive Power," and that, to build up a manufacturing productive power, it is worth while to tax an agricultural community.

Round this dogma the Free Trade and Protectionist argument in all countries of the world except our own, which had already reached List's third stage when his book appeared and to which, therefore, it had no application, has centred. It is on it the Protectionists have achieved such victories as they have up to the present won. It is the well-known plea for the protection of infant industries until they are strong enough to take care of themselves, but always in seeking to guide his countrymen through what he called the three great economic phases of development, through Free Trade to Protection, and then back from Protection to Free Trade, this national idea was the dominant one; and he taught that the trade of the country must be controlled and restricted by imposts on *either* manufactures or agricultural produce so as to produce

as nearly as possible this internal economic equilibrium; in short, that nothing should be imported that can reasonably be produced within the limits of the country itself.

Germany in late years has pursued the policy of its most celebrated Protectionist teacher, and, although, as we shall see later, a great expansion of German manufactures was inevitable under any fiscal system, yet this expansion has been stimulated by the protection accorded to her manufactures, until, according to the "National" theory, it is now excessive.

Professor Wagner, of Berlin, views with the greatest anxiety what he regards as the present excessive industrialisation of Germany, his views on this matter are shared by many others, and it cannot be doubted would be held to-day by List, were he alive. The tendency of the new German tariff is to redress the balance. While it adds slightly to the duties for the protection of manufactures, it adds much more largely to the duties for the protection of agriculture. Therefore, while it may restrict our direct sales to Germany, it must still more restrict her power to compete in other markets with us. This is quite as it should be, according to the Nationalistic theory. It is better that they should sell less manufactures, if they also buy less food, and if, incidentally, they have to eat less and wear less, that is their proper sacrifice to a patriotic theory.

This is the theory, in as few words as I can put it, of the theoretical, "historical," and so-called "scientific" Protectionist economist.

To follow it is, from the point of view of the world at large, avowedly economically, a policy of the "second best." It is directed, not to extend international trade, but to contract it within the smallest possible limits. Nevertheless, we find it accepted and acted upon, for the present, alike by foreign nations and our self-governing Colonies.

The great question put to us to-day is not what is the best commercial policy for the world, but what is the best policy for Great Britain, in a world of nations which have adopted more or less thoroughly a Protectionist policy? Is it possible for us to persevere in our solitary course of Free Trade and live; or shall we turn our backs on Adam Smith and Cobden, and put ourselves into line with other nations, and follow List and his school?

#### APPLICATION OF PROTECTIONIST THEORY TO THE UNITED KINGDOM.

We have, therefore, now to consider List's theory of a self-contained nation, "with its agriculture, manufactures, commerce, and navigation developed in strict proportion," in its application to England. If this ideal be accepted, with this Kingdom for its unit, then it must be admitted our Free Trade has been wrong, our manufactures, our shipping, and most of our foreign trade are wrong. We have twenty millions of people in this country who have no business to have been born. And the most wrong of all are the Tariff Reform Commission, who are aiming at increasing still further this national



disease, the excessive development of our manufacturing side. What we must do on this theory is to tax imported food, so as to encourage its production at home, let in foreign manufactures free, so as to discourage our own overgrown industries. By this means, if severe enough, we should bring back some of our own surplus people to the land, and starve out or drive out others until the blessed equilibrium was established. The new German tariff is a deliberate attempt of this character, practised upon a nation which, as yet, imports a comparatively small portion of its food.

The application of German economic theory, and American economic practice, in this form, with this country for its self-supporting economic unit, we may surely rule out of the range of practical politics. But the English Tariff Reformer of the neo-German Nationalistic school does not take this Kingdom as his economic unit. His unit is the Empire. There is no lop-sided development of manufactures in the Empire taken as a whole. Here is his ideal economic national unit. But he here comes face to face with an obstacle completely insurmountable. The unit refuses to unify. The British Empire is a great fact, but, unfortunately, it is not an economic unit in the sense required for a "National" economic policy. We have India practically a Free Trade country, with which we do as much trade as with Australia, Canada, and the South African Colonies put together, and we have these self-governing Colonies, each determined to work out its own national

economic development in its own area, on the lines of strictly national—that is, Colonial—Protection. To speak quite frankly, I have at this moment more hope that Germany will find her new tariff insupportable, and relax it—I have far more hope, even an expectation, that the United States will extensively reform her tariff in the Free Trade direction than I have of a similar movement in any of our self-governing Colonies. We have to acknowledge the candour of our Colonial brothers. Throughout this controversy they have made it clear that, preference or no preference, their ideal is the self-contained nation—their national economic unit is the Colony, not the Empire; and the means they take, and mean to continue to take, to secure this end, is Protection, effective Protection, of their manufactures. Notwithstanding any small preference they may give us over other foreign countries, foreigners we remain, and the national economic unity of List is accepted by the Colonies, each for itself, as the ideal at which it aims—the economic equilibrium which will enable it to do without any foreign trade at all, either with the Mother Country or with other foreign countries.

On the theory of List and his followers, which our Tariff Reformers accept, and are doing all they can by means of translations to make known and popular in this country, all these nations, and especially our own Colonies, are economically and politically right in being Protectionist in the present stage of their industrial development, with the exception

of Germany and the United States, who have advanced far enough for the third or Free Trade stage. But even Germany and the United States, although not economically justified, may be politically right in retaining a Protectionist system. At any rate, at present they do retain it.

The practical problem before us, therefore, I repeat, is not the question whether, in the abstract, Free Trade is "the best policy for England." On every purely economic theory it is. Adam Smith and Cobden teach that it was always right for England and for other nations, too; List and his school teach that for England it was not always right, but it is right now in her advanced stage of economic development. So far the English Protectionist would agree with us. The position is that most foreign nations, in matters of trade, have adopted the tactics of war, and we find ourselves solitary Free Traders, one-sided Free Traders, in a "world of Protectionists."

Surely, then, of all nations on earth we ought to be the most miserable. Every other nation is schooling itself, by painful tariffs, to do without us, and we are becoming more and more dependent upon others, and what will be the end of it?

#### CONSEQUENCES IF WE PERSIST IN FREE TRADE.

The deductive economist of the Protectionist school proves to us by deductive reasoning what the end ought to be and what it must be; the whole catalogue of woes is set forth by Mr. Balfour in his

“Economic Notes on Insular Free Trade.” Our staple manufactures, the exports in which we used to trust, will be shut out; we shall have to pay for our imports all the same. How are we to do so? We are even now being “engineered”—Mr. Balfour’s word—by the foreigners’ tariffs out of one trade into another to pay for them; “necessarily” they say all these changes are from superior to inferior trades; meanwhile our manufactures are becoming continuously less and less necessary to the foreigner, we are at a disadvantage in the exchange, we must “necessarily” not only sell our inferior goods, the produce of low-class and sweated labour, but we must also constantly reduce our price to get them taken at all. It will become, in the language of Mr. Balfour, first “difficult,” then “impossible,” to obtain and pay for our imports; then will follow suffering, starvation, and wholesale emigration, until little England is reduced to a little fifth-rate, self-feeding state. All these things will happen, says the deductive Protectionist economist—must happen—have begun to happen. Meanwhile the British capitalist manufacturer, excluded from his old markets, takes himself, his capital, enterprise, and machinery to other countries, where he flourishes greatly under the shade of a tariff wall, when he has got to the right side of it.

These in short, and as fairly as I can put them, are the conclusions as applied to England the Protectionist deductive economist deduces from the theory I have already explained.

## SECTION II.

### THE TWO THEORIES IN THEIR RELATION TO GREAT BRITAIN, TESTED BY THE EXPERIENCE OF SEVENTY YEARS.

A theory however plausible, and deductions from it however apparently logical, must come to the test of the facts of life. Can the Protectionist confirm and prove his theory from the world of facts and figures which are available for the purpose? He maintains that he can.

#### I. THE PROTECTIONIST CASE FROM EXPERIENCE.

The one great fact upon which all English Protectionists base their whole case, which they force Free Traders to face and answer if they can, is the phenomenon of the rapid rise and growth, not only of the total national product, but especially of the manufactures, and still more of the export of the manufactures of certain Protectionist countries (particularly the United States and Germany), under their systems of protective tariffs. The more advanced Protectionist countries have increased, not only their production of their manufactures, but their exports, in the last thirty years at a greater rate than England, a Free Trade country, has done. What more complete vindication of the tariff system under which this has been effected can be desired? they ask. All the arguments of Tariff Reformers are based upon this undeniable fact—are elaborations and illustrations of it.

What is the significance of this striking phenomenon? We Free Traders must face this question fairly, and show, if we can, that it is due to other causes than the protective tariffs, under which it has come into existence.

I decline to consider America, for any conclusion drawn from this fact in regard to America is useless for any economic purpose. With such a raw material as the best part of the richest of continents, that of North America, not half developed, with its land, its rivers, its mineral wealth, its immigrant labour, it is beyond the power of human folly to arrest its growth. Germany is a fair parallel, and may be taken as the strongest case in point. The great cause of the rapid rise of the manufactures of Germany and other nations is not difficult to discover, for it is the most conspicuous phenomenon affecting the human race in recent centuries. It is what is known as the "Industrial Revolution." With the forces of nature placed by modern science and invention at the service of man, it is no longer necessary that nearly the whole population of a country should be employed on the land to raise mere food, and in the primitive rural industries, and a large proportion has transferred its labour from agriculture and village handicraft to manufactures, and removed from the country to towns.

Mr. E. Atkinson has calculated that under favourable conditions, such as obtain on a great wheat farm of Dakota or Manitoba, one man's work for one year of 300 days will produce sufficient wheat

to feed 1,000 people for the year; that it can be carried through the flour mill and put into barrels, including the labour of making the barrel, at the equivalent of one other man's labour for one year; that it can be moved from the far West to a flour mill in Minnesota, and thence to the city of New York, and all the machinery of the farm, the mill, and the railroad can also be kept in repair at the equivalent of the labour of two more men; "so that the modern miracle is, that 1,000 barrels of flour, the annual ration of 1,000 people, can be placed in the city of New York, from a point 1,700 to 2,000 miles distant, with the exertion of the human labour equivalent to that of only four men, working one year in producing, milling, and moving the wheat."

This is an extreme example of a universal movement. As the agricultural population is liberated, and the mechanical arts grow, new occupations are necessary, new wants arise, new manufactures are born. In this stage of social and economic development, in this migration of the greater part of the population from occupations immediately connected with the cultivation of the soil to manufacturing and other pursuits, which removed them from rural districts and collected them in towns, we were a generation ahead of Germany and other countries. Thirty years ago the revolution in this country was practically accomplished, while in Germany it had scarcely begun. At the beginning of the last century 80 per cent. of the population of the countries which now form the German Empire were engaged in agricul-

ture. In 1870 two-thirds of the population was agricultural, while in England and Wales at the same date the proportion employed on the soil was not 17 per cent. Since that date the proportion of the population of Germany engaged in agriculture has been reduced by one-half, the population inhabiting large towns of more than 100,000 inhabitants has increased sixfold, that inhabiting medium-sized towns of from 20,000 to 100,000 inhabitants has increased nearly threefold. Germany has been drafting into the cities a large half-employed, underfed, under-paid rural population to found her new industries. We had no longer this resource, it has been long practically dried up, our agricultural counties are to-day underpeopled, and the land is crying out for labour.

The sufficiency of this explanation of the somewhat more rapid expansion of German manufactures and exports than those of the United Kingdom must be obvious to anyone who considers the importance of the Industrial Revolution of the Nineteenth Century in its effect on the conditions of human life in Western countries. The movement to the towns in Germany has doubtless been accelerated by her past protective policy in favour of her manufactures, she will now probably check it by her new "agrarian" tariff. But the process itself is a natural and inevitable stage in the development of a modern nation in modern conditions. It was inevitable under any fiscal system, and was anticipated by every man of reasonable foresight. That during its progress the growth of German manufactures and exports should



have been more rapid than our own is a consequence equally inevitable. It was the necessary result of modern forces far more powerful than tariffs. That the disparity was not greater during this period of the absorption of a great supply of cheap labour is not only a signal proof of our national efficiency, but furnishes a strong presumption of the superiority of our fiscal policy.

It is likely that in Germany, as in this country, this movement of population has now almost spent its force; for, although the proportion of the population engaged in agricultural pursuits remains double that existing in the United Kingdom, it is no longer excessive. The fact that the natural increase of the population in Germany is double that of the United Kingdom, that the birth rate is 25 per cent. higher than our own, and nearly 30 per cent. higher than that of the Colony of Victoria, will doubtless tend towards maintaining the growth of her industries, and of the exports necessary to pay for her increasing imports of food. On the other hand, the effects of the new and distinctly Nationalistic tariff on the condition of the manufacturing working classes must tend both to decrease the birth rate and revive emigration. An analysis of the conditions which produced and accompanied the recent expansion of her manufactures and exports leads to the conclusion that the Protectionist policy of Germany has been rather a disturbing than a governing factor in her industrial evolution. It doubtless accelerated its earlier stages, it has distorted its course of pro-

gress, and at present, under the new tariff, it retards the natural manufacturing and commercial expansion of the country in a manner approved by Professor Wagner and other Nationalistic economists, and doubtless intended by its "scientific" authors; and yet in the whole course of the fiscal controversy I have not met with one argument by induction from experience which was not based upon the erroneous assumption that the rise of manufactures in foreign Protectionist countries was almost entirely due to their protective tariffs.

## 2. THE FREE TRADE CASE FROM EXPERIENCE.

### *The nature of the proof required.*

In the days of Adam Smith the argument for freedom of trade was necessarily a purely deductive argument—that efficiency would be an effect of freedom, that the division of labour, which in the village and the nation had so incalculably increased production, would have a like effect if brought into operation on an international scale—that international trade is in truth simply an exchange of commodities, and that a "favourable" balance of trade to be paid in gold cannot be maintained permanently, and, if it could be, would be futile. These and other similar unanswerable propositions were the arguments of Adam Smith, and the logical deduction from them was Free Trade.

With two-thirds of a century of Free Trade practice behind them, British Free Traders have now so great an accumulation of experiences, which add

historical proof to inherent probability, that their difficulty is how to focus it all so as to bring it within the range of vision of the ordinary human being.

The general arguments for British Free Trade have thus altered in character; the old deductive argument has been supplemented and almost superseded in the arena of controversy by inductive statistical reasoning. The argument from experience has been added to the argument from reason, and the whole general case is thus far stronger than it was in Richard Cobden's days.

But the present-day Free Trader has to meet another and more plausible, if not more formidable, argument. It is that which I have endeavoured fairly to put forward, and it may be re-stated in a sentence thus: Cobden's forecast of a rapid universal victory for Free Trade principles has not been realised. The Nationalistic Theory has been adopted by almost every civilised country but this country. Whether it is a better theory or not than that of universal Free Trade is not the question; as put to us now, the practical question for us is, Can we trade on Free Trade principles with nations who trade with us on Nationalistic Protective principles? Can one-sided Free Trade go on for ever? Peel and Cobden answered this question, which, it must be admitted, they believed would never become the practical question it is to-day, by abstract deductive reasoning in the affirmative. "Hostile tariffs are best met by free imports," they said. After sixty

years of experience we have now to ask ourselves the question, Does this experience confirm their dogma? Does the present position of British trade, do the indications of the future, do the lines of the development of contemporary international commerce enable us to supplement Peel's dogmatic affirmation, by induction from the ample material available? This is the task the Free Trader must fairly face to-day.

I shall endeavour to state the case of the British Free Trader, first, in its Static aspect, by examining the position to which two generations of Free Trade practice has brought us—the absolute and relative position of the international trade of this country to-day; second, in its Dynamic aspect, by considering its relation to the contemporary movements and the lines of development of international trade; how far a policy which may have been wise and successful in the past is likely to continue to succeed in a world which I assume, for the purpose of this argument, to be definitely committed to a Nationalistic policy.

### *The British Free Trade Case : (I.) Static.*

Tariff Reformers assume as self-evident that this rise and growth of foreign manufactures has been at our expense, to our loss. Is it not a fact, they inquire, that sixty years ago England was the workshop of the world; we were not only first but alone in the production and export of the new manufactures? Now other, and Protectionist, nations have approached, and in some respects passed us, and

notably in the production of iron we have fallen back to the third place. Is not this in itself a sufficient proof of the error of our policy?

The dogma that as England was once the sole workshop of the world, she should have retained the trade of the world in its infinite expansion—in other words, that the world should cut its coat according to England's cloth—is a proposition too absurd to require serious refutation. Yet it is an argument constantly in the mouths of our Protectionists, notably in that of Mr. Deakin, who appears to combine a belief in it with a determination that the Commonwealth of Australia shall be an exception.

We could not, of course, keep the whole, and the only useful question is, What have we kept, and how does it compare to-day with the new manufactures of foreign countries and their exports, the conditions under which these goods are made, and the condition of the people who make them? Any competent examination of the general production of the various manufacturing countries and their exports of manufactures will show three things:—

(a) We are keeping the first call on the trade of the world.

(b) We are keeping the best of the trade.

(c) We are keeping as much as we can do *in good times*.

And this position we maintain with a higher level of nominal wages, a still higher level of real wages, and shorter hours of labour than any of our Continental neighbours.

(a) *We are keeping the first call upon the trade of the world.*

That we are keeping the first call upon the trade of the world is a broad, and perhaps a bold, general proposition to state. It can only be tested by a broad survey of the courses of the main streams of international trade, the significance of which, persons who are unable to extend their vision beyond an import of window frames, or a contract for foreign horse shoes, are incapable of estimating. Such a comparison of the main streams of the distribution of our exports, with those of other and competing exporting countries, shows that the first call of the world is for British goods produced under Free Trade conditions; and that in foreign markets of all kinds we maintain our supremacy—

1. In the neutral markets of the world, *i.e.*, in those countries in which the import duties do not aim at the protection of native industries, as in China, India, and Turkey. Countries of this class send their exports largely to the Protectionist countries; they receive payment for them principally in British manufactures. In consequence, our exports to these countries greatly exceed our imports from them, and the nations receiving the produce of these countries have to settle the international account with us. Thus, China exports goods to the continent of Europe to more than double the value of her exports to Great Britain, but she imports from Great Britain goods to more than double the value of her imports from the continent of Europe. The

exports of India (by sea) to all foreign countries amount to almost double the value of her exports to Great Britain, but her imports from Great Britain are of more than three times the value of her imports from all foreign countries.

2. In the markets of the newer countries in which a deliberately adopted protective policy has not yet worked out its full results—as in our Australian Colonies and such countries as the Argentine Republic. In these countries the position is very much the same as in the neutral markets—the imports of British goods into the ports of the Argentine exceed the exports of Argentine produce to Great Britain by more than 50 per cent., while their imports from all other countries than Great Britain do not amount to half the value of the exports of Argentine produce to these countries.

That the great export of Australian wool to the continent of Europe is paid for by the export (without any preference) of British manufactures, is shown by the fact that the total Australian exports to other countries than Great Britain exceed those to Great Britain by a very considerable amount (13 per cent.), while the imports from those countries fall short of the imports from Great Britain to a still more considerable extent (about 50 per cent.).

It appears fair to conclude that in the two classes of markets, the neutral and the imperfectly protected markets, the superiority of British organisation and enterprise, and the superiority of the British articles of export in quality and price, enable us to retain

the first call upon the trade, and lead to an enormous increase (in the neutral markets I may say the doubling) of what our export trade with these countries would be were it confined to a direct interchange of commodities.

It remains to consider the fully protected markets, that is to say, the countries in which a complete system of protection has been in force for a sufficient number of years to enable it to produce all the effect in restraint of international trade which it is capable of producing; such nations are Germany, France, and the United States. Year by year these countries find themselves enormously in our debt; first, for our purchasing for them in the way I have shown a great part of their requirements from the outer world; secondly, for our shipping services (we carry more goods for the group of the ten protected countries than we do for ourselves—that is, to and from the ports of Great Britain); and thirdly, for the gold they require for the renewal and expansion of their circulation, and for the arts—that is, for gold considered as a commodity, annually produced, distributed, and, in part, consumed. This gold they procure in great part through Great Britain. To keep straight with the world, and especially with us, they must export; they, consequently, do export to us considerably more than they directly receive from us. But they cannot force us to take anything we do not want; and the conditions under which they produce their export goods—their longer hours of labour, their lower wages—are



an indication, and in part a measure of the relatively greater effort necessary to bring their export goods into effective competition in the markets of this country and of the world. The practice of dumping, so far as it is practised, is itself an evidence of the shortage of a healthy and remunerative demand, and at the same time of the presence of economic forces of which the human agents are probably unconscious, and which demand exports to balance international accounts. This very short analysis of the main courses of international trade, so far as they affect this country, I think is sufficient to show that we hold, under our present Free Trade conditions, the first call on the trade of the world.

*(b) We are keeping the best of the trade of the world.*

That we are keeping the best of the trade of the world is undeniable, if we are considered as what we are and must be, a manufacturing and commercial people. Whether it is a better or happier lot to produce and export agricultural and pastoral produce, I am not prepared to maintain; I can only express my surprise that so many nations of the world are so anxious to escape from this Arcadian state. But for us this is impossible, and we must compare like with like. The proposition that, as a manufacturing and commercial people, we are keeping the best of the trade of the world can be proved by a detailed comparative examination of that portion of our exports which passes through our Custom houses, and is published monthly in the Board of Trade

returns, and annually in the Statistical Abstracts of this and foreign countries, which my readers can consult for themselves. They show that our exports are of the most desirable kind, in the main the produce of our most skilled and best-paid labour. But it is shown to a still greater extent in the character of what is called our "invisible" exports—that is our shipping and other services, which are of a still more desirable character than even our material exports, and are of a nature in which we maintain a lead in many cases amounting to a virtual monopoly. (The question of this section is more largely discussed in a later section, that under the heading, "Is Our Trade Degenerating in Kind?")

(c) *We are keeping as much as we can do of the trade of the world in good times.*

That we are keeping as much as we can do of the trade of the world in good times, which is my third statical proposition, will probably not be accepted by Protectionists so readily as the two former arguments, but the experience of the late seasons of prosperity and "booms" in trade amply prove it—that in good times we are keeping as much as we can do. The Protectionist at this point asks, "Is not the German taking our trade and throwing our people out of employment? What about the unemployed millions in this country, robbed of their work by foreign competition?" The answer to this persistently reiterated query is simple and direct. There are no unemployed millions of workers; they simply do not exist. We have to-day no available

reserve of unemployed for our ordinary industrial purposes. We are a fully employed nation, our existing industries are sufficient to absorb all available and willing workers *in good times*. Take the year 1899, or, to almost the same extent, the year 1906 and the greater part of 1907, as examples of good times. The comparative stagnation of the building trade in the latter years renders the former year the better for the purpose of illustration. It was a year of peace and booming trade; at that time our prosperity reached saturation point, we had as much as we could hold; we all know every mill, factory, mine, and ship, and every man had the choice of two jobs. Orders of all kinds were refused by our manufacturers, as I know by my own experience, both in my own business and as a railway director—orders which overflowed to the foreigner because we could not take them. It was the year in which the official statistics of unemployment reached their lowest recorded level—2.2 per cent.—of that part of the working population covered by the returns. It is frequently objected to the use of these figures of unemployment that they apply only to skilled workmen, members of the trade unions which make the returns. This is true, and it is doubtless also true, although we have no statistics to prove it, that, in times of depression, the proportion of the unemployment among the unskilled workers is greater than among the skilled. But in the good times of abounding trade the opposite is the case; again I speak from pretty extensive observation and

in the absence of official statistics—and I think it cannot be denied that in 1899 every unskilled able and willing worker in the country had a choice of employments. That 2.2 per cent. of the skilled men were out of employment is no indication that the total supply of skilled labour exceeded the total demand by 2.2 per cent. These unemployed men belonged to trades which, for some special cause, such as changes in manufacturing methods or fashion, had been left out of the movement. They could have been absorbed over and over again by the trades in which operations were limited by deficiency of labour, had they been fit and willing to undertake the work which there were not men enough to do. And yet this is a period in which notably German and American exports expanded more than our own, and the Tariff Reformers tell us this was at our expense. If this were so, they are bound to tell us how we could have taken them on, what we could have done more than we did, or what we could have done better than we did.

“If a man were Ferdinando,  
 He can do no more than he can do,  
 And he who more than this expects,  
 Is wanting in his intellects.”

HUDJBRAS.

It may be accepted as proved by the experience of good times that our industrial organisation is thus equal to the powers of our working population, and in such times to foster and stimulate one industry by Protection could not add to the sum of

employment, but would be at the expense of some other more deserving industries, and at the expense of the consuming community in addition.

### *The Phenomenon of Unemployment.*

Whence, then, appears the phenomenon of unemployment of the fit and willing workers? It is necessary to distinguish this from the great general problem of poverty, that of the aged, and the widows and fatherless children, the sick and disabled, and the unemployable. The unemployment of the willing and fit is a much smaller question; it is doubtless in part due to the waste by industrial friction, to the supersession of one trade by another, and one class of workers by another, due to the introduction of machinery, changes of processes or to changes of fashion. It is thus the few *chronically* unemployed fit and willing workers are produced. But this class is very small, and the problem of dealing with it is one well within the power of organised effort, without having recourse to heroic remedies. This class of unemployment exists in all countries, Free Trade and Protectionist alike, and no sensible Protectionist would seek to abolish it by Protection, for this would be to protect his country against the introduction of new industries and superior processes.

But bad times succeed good, and with bad times appears really extensive, but not chronic, unemployment in the best employed State and in the best regulated trades. In both Protectionist America and

Protectionist Germany the swing of the industrial pendulum appears to be greater than in this country, and greatest in their most protected industries; and it is the backward swing which is the great cause of the unemployment of the fit and willing worker. The problem is almost entirely that of mitigating and tiding over bad times. It must be remembered that under these alternations every trade produces its own employment, and as a consequence its own unemployment in bad times, and it is quite obvious that as the substitution of fostered and protected industries for healthy and natural industries cannot add to the sum of employment in good times in a nation already fully employed, so it cannot diminish the sum of employment in the bad times which follow. For, I repeat, it is a fact too often overlooked that every trade produces not only its own employment, but its own unemployment, and to import a trade by tariffs and taxes is not a measure that will absorb the unemployed in bad times; it is to import unemployment as well as employment. This the Americans found when, at an enormous cost to other unprotected industries, they violently imported a tin-plate manufacture. That I might read a full report of Mr. Chamberlain's speech in South Wales, in which he gave this as a striking example of pure profit to America and pure loss to us, I bought a Cardiff newspaper, and in the very same issue that recorded his speech I read these words in their market reports: "The condition of the American tin-plate industry is most unsatisfac-

tory, over half the mills being closed down, and the American Tinsplate Company has reduced its quotation for plates by 20 cents on the 100-lb. box. Little business is said to be coming in from canners. Independent sheet mill owners have secured a reduction of 20 per cent. in wages." No such state of affairs at that time or since has existed in South Wales. America had imported this unemployment, and her unemployment is always greatest in her protected industries. It is obvious the problem of the unemployed must be attacked by other methods than tariffs.

It is equally obvious that until some method is found of equalising employment and eliminating the lean years, the test of a nation's industrial employment can only be the degree to which it is employed in *good times*, and the amount the average of employment from year to year falls below this maximum. The application of the first test shows that our existing industries absorb all our available labour in good times; that of the second, that they possess greater stability and show less fluctuations of employment than those of protected countries.

### *Summary of the Case (Static).*

From a survey of the present condition of the British manufacturing and export trades statically, that is to say, of the position in which our Free Trade policy has placed us to-day, we cannot avoid coming to the following conclusions.

First, that in the infinite expansion of the consumption of the world it was a physical impossi-

bility under any tariff system, or under a system of universal Free Trade, that England should remain the sole workshop of the world, and that the rise of other manufacturing nations was inevitable, and has been beneficial both to themselves and to the world.

Second, that this expansion of industry has not been at our expense, for, as a matter of fact, which can be observed and proved—(1) We are keeping the first call on the trade of the world; (2) we are keeping the best of the trade; (3) we are keeping as much as we can do in good times.

Third, that owing to the low price at which her policy of free imports enables her to buy what she requires for her work and life, and to the general efficiency of her working population, England is able to retain this position while paying higher nominal wages, and much higher real wages, with shorter working hours, than her Continental neighbours.

Fourth, that the problem of unemployment of fit and willing workers is common to all countries, and is a malady to be treated by other means than tariffs; that the importation of new industries by protective duties means the importation of unemployment as well as of employment; and that our Free Trade policy has to some extent moderated the alternation of good and bad times, which is the main cause of unemployment, and mitigated the severity of the effects of bad times on our industrial population.

Thus we reach the conclusion by induction from the ample experience of sixty years, which Peel and Cobden had reached by abstract reasoning. We have



found it true that the best way to meet hostile tariffs is by a policy of free imports.

*The British Free Trade Case: (II.) Dynamic.*

There are Tariff Reformers who will admit the main part of the statical case. They will admit that Free Trade has up to the present, or rather almost up to the present, been our best policy. But they point out that conditions are changing and have changed. The nations of the world who have adopted nationalistic protective systems are one by one realising their national aims, they are becoming independent of us and our goods. Accepting this as their general proposition, they deduce the following "logical conclusions" as the consequences which must "necessarily" befall, and are now befalling, solitary, undefended, Free Trade England.

(a) That our markets are contracting, and we are trading at a constantly increasing disadvantage.

(b) That our trade, if not yet diminishing, is degenerating in kind.

(c) That British capital and British labour are flying to the protected countries, and will inevitably do so to an increasing extent.

These three conclusions, deduced as "necessary" and "inevitable" consequences of the general statement of the fact (quite undisputed) that almost all nations of the world except England have adopted the system of nationalistic protection, can also be examined inductively in the daylight of present-day facts.

(a) *That our markets are contracting, and we are trading at a constantly-growing disadvantage.*

In the light of the trade returns of the last three years, the statements with which the Tariff Reformers began their propaganda, that the exports of our manufactures were actually stationary or decreasing, has become too ludicrous to be noticed, except as a curious example of the power of a theory to distort an investigation of facts. But the theory they still hold, and it was best stated by Mr. Balfour in his "Economic Notes." It may fairly be put thus: As the area of national protection grows, so our accessible markets contract in number and area; although our exports may not yet show signs of diminishing, they must "inevitably" do so in the near future. Our imports are "necessities" to us, and are becoming year by year more necessary; our exports are not "necessities" to other countries, and are becoming year by year less necessary. Therefore, "necessarily," we can only induce other countries to accept our exports, which is our only way of paying for our imports, by constantly reducing our prices; that, in consequence, our exports will become, first, "difficult," then "impossible," and our imports, first, "costly," then "unattainable."

These assumptions, if accurate, would by this time be susceptible of historical proof. They have, on the contrary, received disproof, as I have shown in the previous section, in which British trade is considered statically.

That we are not reducing our prices ruinously in

order to get our exports "accepted at all" is proved by the figures given by the President of the Board of Trade in answer to a question I put to him on February 3rd of this year (1908), showing that, although the prices of our exports and imports have greatly decreased since 1873—they have decreased almost to an equal extent—we have reduced the prices of our articles of exports by 44.3 per cent., while the foreigner has reduced his prices to us by 44.5 per cent. We are therefore getting rather more, and not less, foreign goods for our goods.

However clear it may be to the Protectionist theory that our markets *ought* to be contracting, and that our foreign exchange of products *ought* to be more and more disadvantageous, it is even more clear to the candid inquirer that what *ought* to happen and "must happen" does not "come off" according to the logical programme.

*(b) That our export trade, if not yet shrinking in quantity, is degenerating in kind.*

We are being "engineered" by foreign tariffs, to use Mr. Balfour's phrase, out of our good old "staple" export trades into other and "necessarily" inferior trades. The Tariff Reform Commission point out that whereas in former times we used to make iron for the world, now both America and Germany have passed us in the production of pig-iron, and that our exports of that article of one of our greatest staple trades is insignificant. Professor Ashley says, "England is turning apparently more and more to

exports, the products of cheap, low-grade, and docile labour. Let us see," he continues, "what are the comparatively new exports which are taking the place of the old? Coal and unmanufactured clay, apparel and slops, pickles, vinegar, and preserved fruits, oil and floor cloth, caoutchouc manufactures, soap, furniture, cabinet and upholstery wares, cordage and twine. Now, I believe that all these are cases in which the bulk of the labour employed is cheap and unskilled."

What is our reply to these criticisms? It is that most satisfactory of all possible replies to a disagreeable proposition—a flat denial. Our exports are not inferior, the examples the Tariff Reformers give do not prove it, the examples they do not give prove the contrary. They complain that we no longer make pig-iron for the world as we did when our railways were the most extensive system in the world, and we were teaching other nations how to develop their own. This is their favourite example of our decline. To anyone who has the most superficial knowledge of our slender resources, both of iron ores and furnace coking coals, in comparison with the United States, a country which has now a railway mileage ten times as great as our own, this complaint will appear the complaint of ignorance. Instead of supplying the world, as in the old days, America, Germany, and England, the three great iron-producing countries, each produces about the quantity of this raw material it is able to work up, and this seems to me to be a satisfactory arrange-

ment of this particular trade. To make pig-iron for the world is not my ideal destiny for this country; that the Black Country should extend south from Birmingham as it extends north, until it fills the rich and happy garden valley of Evesham, now devoted to Professor Ashley's pickles and jams and preserved fruits, for example, would be to sacrifice the better for the inferior industry.

Of Professor Ashley's list of the inferior export trades into which he states we have been "engineered" by foreign tariffs, I have only three remarks to make. In the first place, they are very small, in the second place, they are not inferior to our old staple trades, and, in the third place, we are not being "engineered" into them. I exclude the export of coal, for with expert knowledge I differ from Professor Ashley on this point, and I regard this as one of our best exports. It forms the basis of our exchange in bulk for our bulky imports. More than half is sent abroad for navigation purposes, and more than half is for British consumption abroad. In his first two trades, apparel and slops, our exports have not increased at all, but largely decreased during the years of the fiscal controversy, since 1902; in his next five trades, pickles, vinegar, confectionery, jams, and preserved fruits, there has certainly been considerable expansion, but surely these are healthy and desirable trades; in all the other trades he enumerates in the same four years the increase does not amount to two millions in the same period, or 28 per cent., while our total export

trade in British goods has increased by more than 50 per cent. An examination into the figures of the exports of the trades selected by Professor Ashley as examples of inferior and undesirable trades to which "we are turning more and more," proves that we are, in fact, turning to them less and less. I apologise for troubling my readers with these petty figures; I do so to show to what shifts our deductive Protectionist economists are put when they leave their general conclusions, that such things must "necessarily" be, to examine the facts as they are.

All his examples are trifling when set beside our greatest *new* trade, and greatest *new* export—our shipping trade. I say new, for our supremacy in shipping dates only from our adoption of Free Trade, and is by universal consent a product of that policy. Its gross revenue is quite equal to that of all our home railways put together, which amount to about 110 millions. I will not trouble my readers with detailed figures, but a few main facts about this trade are easily remembered, and worth remembering. Vast as our foreign trade is, it is only one-sixth of the international trade of the world, but our ships carry, not one-sixth, but one-half of the trade of the world. We carry more goods from foreign port to foreign port—trade which never touches this country at all—than all our British trade amounts to, we carry more for the celebrated group of the ten Protectionist countries alone than we do for ourselves. To compare any other nation with us in this trade is ludicrous; to compare all other

nations put together with us is to compare the inferior in value and efficiency, if not in tonnage, with the superior. That we have been "engineered" into this lonely pre-eminence in this trade partly by our own Free Trade policy, and still more by the Protectionist policy of other nations, no person who is qualified to have an opinion at all doubts. The nations who, by their tariffs, restrict exports of our "staple" manufactures to their shores, are forced by the natural law from which commerce cannot escape to accept the payments for their exports to us largely in the form of our shipping services. Is this a decline from higher trades to a lower one? Mr. Chamberlain says it is. At Preston he said, "What does the working man get out of these invisible exports—out of the freights of ships? He gets very little. The wages in the shipping trade are, I am sorry to say, a small and diminishing quantity." I wish to speak respectfully of Mr. Chamberlain, so I will only say by way of criticism that, as a piece of economic analysis, this appears to be—incomplete. The shipping trade gets over 100 millions a year into its pocket. The railway companies get a similar amount, and pay nearly half of it to their shareholders; the cotton trade gets as much, but it has to pay 40 millions to the foreigner for its raw material. The shipowners work on a capital of less than one-seventh of that of the railways, and what their shareholders get is a minute portion of their gross receipts; the rest, less a small sum for foreign port charges, is all dis-

tributed to pay the best class of British labour. Their ships are built and engined, re-fitted, and repaired in British yards and British engine works of British material, officered and engineered, and mostly manned by British subjects, provisioned in British ports, insured in British offices, and coaled with British coal. No other British industry gives so great an amount of employment to British labour of the highest class. To an island people our most necessary trade, politically our most imperial and coveted trade, economically our largest trade, and industrially our best trade, is our shipping trade. It shows no signs of losing its lead or any portion of its lead. In the last year of which we have the returns—1906—we added to our shipping tonnage ten times as much as Germany added to hers, and Germany is the only nation, except Japan, with a growing mercantile marine. Our shipping trade has only two things to fear—any departure from a Free Trade policy by England, or the abandonment of Protection by America and other countries. This is the great example of the success of foreign Protectionist tariffs in “engineering” us out of some old trades into other new trades. They have succeeded in “engineering” us out of some portion of our old staple trades, but they have “engineered” us into a better trade.

But there are other examples. Time would fail to describe the economic process by which the Protectionist policy of other nations has secured the supremacy of the “Land of free imports” in the



business of merchants, textile spinners and manufacturers, engineers and machine makers, distributors, brokers, bankers, and insurance. To say that we are being "engineered" into inferior trades is to say that bankers, merchants, brokers, shipowners, and officers and crews, skilled engineers and machine makers, are inferior to the old furnace men and puddlers, or the naked and parboiled men I remember in the sugar houses in my boyhood. No, British trade is neither decreasing nor degenerating.

*(c) That British capital and labour are flying to Protected countries, and will inevitably do so to an increasing extent.*

This phenomenon, while only half understood, has furnished perhaps the most telling argument of the British Protectionist. The British manufacturer, he says, shut out of a foreign country by a tariff, takes himself, his capital, his machinery, and sometimes his men, and flourishes mightily abroad, instead of starving at home, to our national loss. The fact that these emigrations of capital have taken place cannot be denied, but they are not so frequent now as they were in the early days of American Protection. But notice what follows to the Protected State. Notice how retribution follows, and in the end restitution, too. When its protected infant industries have grown to be protected giants, when they aspire to an export trade—a "world trade"—they find that, on the whole, the best results in product for a given expenditure can be obtained in the

“Land of free imports,” and one after another they establish their works in England. They bring their German education, their American enterprise and organising power, and their capital to this country, when they establish themselves on British soil, pay British taxes, and employ the highest and best paid of our working population.

There can be no doubt that, during the last few years, the tide has turned, and this immigration of capitalist aliens has much exceeded the flight of British manufacturing capital to protected areas. It is one of the most conspicuous of the developments of English trade. And, observe, it is the very best firms who feel most strongly the attractive force of the Free Trade country. It is the largest maker of electric machinery in the world which has come from America to establish itself at Rugby; it is the largest maker of mining machinery in the world which has come from Chicago and San Francisco to start near London; it is the largest sewing machine maker in the world who has established his immense works at Glasgow. Finding their European trade hampered by retaliatory tariffs, there is a growing disposition among the most wealthy and progressive American manufacturers, especially those who are cultivating and depending more and more upon an export trade, to look forward to the establishment of works in England, by which they would not only manufacture more cheaply, but their products would receive the benefit of the “most-favoured-nation” clauses in the commercial treaties of this country. It may thus be

seen that the establishment of exotic industries can be due to two causes, which, though entirely opposite, exercise the same effect. There are many examples of English industries established in protected countries, to which it was found impossible to export at a profit in consequence of their high tariffs. We now see similar foreign industries founded in this country as the direct result of our Free Trade policy. We English have many commercial deficiencies, we commit many commercial errors. We neglect our secondary and technical education, we despise foreign languages, our consular services do little for trade, we maintain our antiquated system of coinage and weights and measures, our ports are not encouraged, and our canals are allowed to perish ; but our Free Trade policy, like a beneficent fairy, interposes between our faults and their punishment. It brings to our shores and our service the finest products of German education and training, and attracts the best enterprise and most highly specialised skill and capital of America, to work out its full development in the "Land of free imports."

After a fair review of the condition of British trade dynamically as well as statically, not only what it is, but what it is becoming, it is impossible to maintain that our markets are contracting, and that we are trading at an increasing disadvantage ; that our trade is degenerating in kind ; or that England is losing her position as economically the best seat for manufacturing industries.

## GENERAL CONCLUSIONS.

### FAILURE OF PROTECTIONIST THEORY AND PRACTICE.

During the past generation we have seen the National Protectionist Theory of Taxation of Imports applied to new countries and old, to young and small communities, such as our colonies, and to great continental states, such as America and Russia ; and we have seen Great Britain alone steadily adhering to her policy of Free Trade. The experience of two generations in which these two great opposing policies have been put into practice side by side, surely furnishes sufficient data for testing the two theories in the light of that experience. Adam Smith and Friedrich List each in his own day propounded his theory academically, and enforced it by purely deductive arguments, based on certain generally-admitted principles of human action. The recent fiscal controversy has rightly proceeded on entirely different lines—it has been in the main an attempt on both sides to reason by inductive process from the mass of available statistics and experience.

I have endeavoured in these pages, without entering into the statistical argument in detail, to follow the latter method, to state what appears to me to be the broader general conclusions which may be accepted, in particular as regards the United Kingdom, as demonstrated by the logic of experience, and

as shown in the statistical case presented by the advocates of Free Trade in the fiscal controversy; and to consider these conclusions in their relation to the "à priori" theories and deductive arguments of the two great opposing masters of this branch of economic science.

The phenomena which emerge most conspicuously from this inquiry are two:—

First: The complete failure of the States which pursue the policy of national protection to realise their ideal—the self-sufficing State.

Second: The extraordinary vitality of the industries and commerce of this country, which in many cases appear to turn to their profit, and to thrive on the very measures taken to injure them.

*First—Failure to Benefit Protectionist Countries.*

It must be admitted that the very statistics of the growth of international trade throughout the world, selected by Protectionists to prove their case, prove that the economic policy intended to substitute internal exchange for international exchange—to import nothing which can be produced at home—has met with scanty success, and that the more advanced Protectionist nations pass through precisely the same stages of industrial evolution we have passed and are passing through. Germany takes to manufacturing industries, she constructs a tariff framed to stimulate their growth and export, and nevertheless she suffers the "melancholy" fate

of all prosperous nations—an excess of visible imports; and now she is experiencing a growing dependence on the foreigner for her food supply. (Meanwhile she has grown to be our best customer except India.)

America, in her determination to be economically “national,” perpetrates a McKinley tariff. At first she succeeds in reducing her visible purchases from us by 15 millions, or by 33 per cent., but the figure starts growing again; six years later she repeats the operation by the Dingley revision of the tariff with the same results, and now her visible imports from this country amount to 58 millions in value, or 11 millions more than the pre-McKinley maximum. Meanwhile her invisible imports from us leap forward continuously by tens of millions (see Note, page 9).

It is seldom realised by Protectionists how few people in the best protected countries directly or indirectly benefit by Protection.

America, with its high and all-round tariff, is, perhaps, the best example. In the United States, Mr. Edmund Atkinson has made a careful analysis of the very complete Census returns made in that country, and he finds that out of 29 millions of male and female persons “occupied for gain,” only 600,000 benefit directly or indirectly in their business by the tariff; and the 28,400,000 who get nothing pay for it. The employment of these 600,000 persons may have been created by the tariff, but it cannot be supposed that they are a clear

addition to the sum of the population and employment of the country, when it is remembered that the same tariff, which created them among innumerable other similar achievements, incidentally destroyed American shipping and the shipbuilding trade. In advanced countries the proportion of the population engaged in manufactures of some kind would probably be little affected by universal Free Trade; the manufactures would to some extent be different manufactures, in all cases the alteration would be to better manufactures for the particular country, the product would be sold for less money, the consumers—that is, the whole population—would have easier lives, and the national income would be greatly increased. But the proportion of national industrial energy liberated from primary rural industries, and devoted to manufactures, which it is the whole policy of national protection to regulate, would probably be scarcely affected in advanced countries.

Experience gives no confirmation to the argument so frequently, and apparently so successfully, used by American Protectionists, that their protection is in any sense a protection of the wages of the working classes. Seeing that no direct protection is given to labour unless it be imported from China or Japan, and that low-class immigrant labour flows freely into the country at the rate of a million persons per annum, no deductive theorist could argue that it could do so; and recent statistical investigation has shown that, not only are the wages of labour no higher in the protected industries than in those

in the same country which enjoy no protection, but employment in these industries is less secure, and that, in all, the increase in the cost of living, due chiefly to the Protectionist tariff, has more than kept pace with the increase in wages, while the contrary has been the case in this country. The whole of the enhanced cost due to protective duties represents in part a net economic loss due to the perversion of the national industry, and in part the swollen profits of a very small body of extremely wealthy capitalists, generally united in the form of a Kartel or Trust, but no part of it appears to reach the pockets of the working populations.

Doubtless the total effect of the Protection of the Protectionist nations has been vastly to diminish the total volume of international trade. Its cost to the people, especially to the poor portion of the population, has been beyond estimate, and has entailed a lower standard of living, dearer food in most countries, dearer clothing, and fewer comforts and luxuries in all countries; but it has not fulfilled either of its two great purposes in any country, it has not built up a self-sufficing State, and it has not been the means of the building up of the great manufacturing powers of the advanced nations to anything like the extent commonly supposed either by Nationalist Protectionists or by Free Traders.

The nations of the world which have put into practice the national theory of Protection have thus found that it will not work in the modern world. They have paid the price, but they have not achieved



the blessed equilibrium desired by List—the “proportionate development of their agriculture, manufactures, commerce, and navigation.” On the contrary, their foreign trades, import and export together, have grown for a period even more rapidly than our own, and the dependence of each on other nations is constantly increasing. We find that everything which ought to happen and must happen does not “come off” according to the logical programme, and we begin to suspect there are other forces and principles in the world of modern trade than enter into the Protectionist’s philosophy.

*Second—Failure to Injure Great Britain.*

But how are we to explain the surprising fact that after forty years of severe Protection in America, after thirty years of growing Protection in France, Germany, and other countries, after the unanimous adoption of rigorous Nationalistic Protection in the narrowest sense by our Colonies, we, against whom alone these measures have been taken, remain with a prosperous industrial organisation equal to the employment of our whole available population; that we pay the highest nominal and real wages, and work under the best conditions; that we keep the first call on the trade of the world; that we keep the best of the trade; that we keep as much as we can do in good times? What is the explanation of this surprising phenomenon?

The explanation is, that the National Theory of Protection is foredoomed to failure, for it is directed

against modern forces far stronger than any that tariffs can control.

The forces of civilisation and contemporary industrial progress forbid national isolation. These forces, the growth of communications, the quickening and cheapening of carriage by sea and land, the increase of commercial intercourse and information, the rapidly-growing habit of travel, are all bringing the nations together, favour international trade and interdependence, and make for international friendship and peace. These forces create new international industries and services, and higher industries and services faster than tariffs can check the old ones.

We have seen that these higher and new industries gravitate to England, and thus it is that Free Trade England, dominated by the "demon of cheapness," instead of being isolated, extinguished, starved out, as the Protectionist theorist says she should, and must be, is able to secure not only as large a share as she can take, but is able to secure to herself the best of the trade. And thus the nation which holds and follows the morally higher theory of trade has its reward even in this world.

#### THE FUTURE.

Before concluding my argument on the purely economic aspect of the development of our Foreign Trade, I must in a few sentences give my forecast of its probable future. It is, in my opinion, not only unlikely, but impossible, that the phenomenal growth

of our exports and imports we have witnessed during the last four years can be maintained, and, further, it is not desirable that it should be maintained. Doubtless, foreign trade will grow at a slower rate. But, as a nation progresses in industrial development, a constantly decreasing proportion of its energy is necessarily directed to the production of material goods suitable for foreign exchange. A primitive people must expend all its energy in catching and growing food to live. An advanced people expends a small portion of its energy in the production of food, and a constantly decreasing proportion of its energy in its old primitive "staple" trades. It advances to more specialised products for more elaborated and specialised needs—from the bread-and-meat it advances to the "pickles-and-jam" stage. Its increase is in quality rather than quantity, for when a nation has enough in quantity it does not require more things—it requires better things. And these better things are not the material of foreign trade, they are better houses, better cities, better communications, better education, better amusements. Study the last Census returns, and you will see a constantly increasing proportion of our people engaged on these better things: in transport and distribution, in Government and public works and service, in the fine arts and the applied arts and crafts, in education, and in recreation and amusements. As we advance in prosperity this process will go on, and these newer occupations are not the production of the material goods suitable for foreign

trade. It is even probable we shall pay for our imports in an increasing degree by our services, and in a less degree by our goods. But our production of material and non-material wealth may then be much greater than it is now—its distribution may be better, our national income, our comfort, our prosperity may be greater, and our standard of living higher. And this brings me back to the point at which I started, that our foreign trade is no measure of our whole trade, and our imports and exports are no measure of our national income; and that our course of industrial and social progress in the future lies on lines for the most part distinct from foreign trade.

In my vision of both present and future you may consider me an optimist. Mr. Chamberlain calls himself an optimist—"an incorrigible" optimist. Well, if he is an optimist, so were Jonah and Jeremiah. But one who believes in the truth, the present profit, and final triumph of Free Trade, must be an optimist.

## THE ETHICAL CASE.

### NATIONAL AND INTERNATIONAL.

In the foregoing pages, and in fact in the whole literature of the fiscal controversy, the case of Free Trade *versus* Protection has been treated as a purely economic question, a sordid business "proposition," which each nation must solve for itself according to its own view of its immediate industrial and commercial interests in the narrowest national sense.

That it has a deeper and wider significance, that it is a battle not only between truth and error, but between light and darkness; that, in the realm of trade, it is a constant struggle of honest industry and intelligent enterprise against corruption and intrigue; and, in the realm of political life, a struggle of the greatest influence for "peace and goodwill among nations" against international jealousy and strife, is an aspect of the question scarcely noticed in the din of the controversy. And the reason of this is clear, it is that on the ethical plane there are no two sides to the question.

To the Protectionist nation itself the economic loss is of a varying and uncertain nature, but where it is greatest it is of far less importance to the community than the deterioration of the moral standard both of commerce and politics. The inner history of every modern protective tariff is a history of commercial and political corruption. When once it has been established in a democratic State, the minute minority of protected capitalists, in alli-

ance in some cases with an agrarian party, always manage to rule the community in their own interests. Whatever may be the momentary subject of political controversy, whatever may be the issue of which the voters are conscious at a general election, at the back stand the financial potentates and monopolists to guard the tariff by which they live and were brought into being. If public opinion is becoming rebellious, public opinion is found to be an article which can be manufactured at a cost—newspapers are started or captured and subsidised, universities are endowed, the springs of truth and knowledge are poisoned, the fountain of justice itself is contaminated. Above all, the organisations of political parties are made secure, party funds are always insufficient, the “sinews of war” decide the event, and pensioners inevitably become tools.

These are the occult forces which strangle freedom in a free country—forces described in the (at present) Protectionist *Times* as “the forces which are sapping the life of the United States, the forces of greed, of corruption, and of wealth, organised more perfectly than ever before in the history of the world.” In England we have in the long run “government of the people by the people for the people.” It is an American who has said that in America they have “government of the people by the machine for the trusts.”

But it is not so much in its national as in its international aspect that the strength of the ethical case for Free Trade lies. List himself speaks of

Free Trade in its ethical aspect as "commended both by common sense and religion." The vision which inspired Cobden was of a world of nations in which growing international trade would bear the fruit of better mutual knowledge and greater mutual sympathy, and these together would weave a web to bind peoples together of such infinite complexity that a war would become both a moral and an economic impossibility. This great moral end he believed could be gained by economic means.

The end in view of the nationalistic Protectionist, on the other hand, is not peace, but war and efficiency in war, and its method is the "method of barbarism," a perpetual state of economic warfare. The ideal State of List is the economic unit which can gather its internal resources together, and find within itself all that is necessary to enable it to fight its neighbours, and to attain this desirable condition he did not scruple to say Germany will have to annex Holland and Denmark. His successors to-day say Germany must have a colonial empire to provide an outlet for her surplus population, and food for her people at home.

The higher moral standard of Richard Cobden's theory and policy all Protectionists, as well as Free Traders, must allow, but it is their custom to cast ridicule upon the great Free Trade politician as a visionary and a convicted false prophet, and to speak of the great exponent of the national economic system as "scientific."

Here again we may appeal to the experience of sixty years, not to assist our moral judgment, but to survey the progress of the conflict between the admittedly higher and admittedly lower—between the economics of peace and the economics of war. It cannot be denied that although all the nations of the world except ourselves have deliberately adopted the national system of tariffs, it has become not less difficult, but infinitely more difficult for them to prepare for and maintain a state of warfare on a scale which would engage the full strength of their military organisations. At the edge of the world, in Manchuria or South Africa it may still be possible, with infinite difficulty, to wage a war on a considerable scale, but those who have most closely considered the question are most strongly of opinion that a great European war, in which naval as well as military powers were engaged, in which the customary channels of international intercourse, material and financial, were stopped or paralysed, would collapse by the utter economic and industrial breakdown of the countries concerned, and could never be fought out to a finish by the armies and fleets of the nations engaged. If this be true, and personally I have no doubt it is true, is it too much to say that when Cobden prophesied that the increase of international communications would end warfare between civilised States, he prophesied even better than he knew, and that the rival system of List, which aimed at the creation of the self-contained State, self-sufficing for war, has broken down in its



attempts to realise its anti-ethical ideal as completely as its economic ideal?

Doubtless, the ethical standard of international relations—the standard of war and diplomacy, is as yet of a primitive and barbarous character; but still it slowly improves. Civilised peoples have long left behind them the stages of wars of pure rapine, wars for cows, and wives, and slaves; wars of extermination for conquest of land. A dynastic or a religious war between civilised peoples is inconceivable in these days. The sources of international strife are now, at bottom, almost invariably economic. Is it the dream of a fanatic to believe that when nations once realise the complete futility of their nationalistic economic aims, this last cause of war may also disappear?

“But what about the meanwhile,” the average worldly man may ask, “we are living in a world which still believes in wars, and if occasion arises will rush into one? Admitting the possibility of universal collapse of the material organisation of civilisation under the strain, will it not then be worse for us than for others? Has our path of peace been the path of relative safety? Have we not more extensive international relations than others, and are we not, therefore, more dependent on the foreigner than they?” Here again we can prove that the higher path has been not only the most profitable, but the most secure. The Report of the recent Royal Commission on Food Supply in Time of War proves by the unanimous testimony of the most experienced

naval and commercial experts that, with our great Free Trade industries, with our merchants, and our ships, drawing our food and raw material from all parts of the earth, added to our naval power, our supplies are rendered more, and not less, secure by the very extent and variety of our operations, and are placed beyond the possibility of serious interruption by any enemy.

And thus Free Trade stands justified. In the sphere of ethics it is the path of humanity, honesty, and commercial purity, but no less in the sphere of politics is it the path of safety and in the sphere of economics is it the path of profit.

Protectionist nations have chosen the spirit and the methods of war to govern their commercial policy. We have chosen the higher path, and we have proved the old word true, that "Whosoever will save his life shall lose it, but whosoever shall lose his life, the same shall save it."

THE  
EFFECT OF PROTECTION  
ON WAGES

*SPEECH DELIVERED AT LEEDS, DECEMBER 1ST, 1888*

BY THE LATE  
LYON LORD PLAYFAIR, G.C.B.



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# THE EFFECT OF PROTECTION ON WAGES.



I HAVE lately returned from the United States, where a very important issue has been before the people during the Presidential election. It would be false to call that issue one of Free Trade, because the proposal was whether the high Protectionist tariff, now averaging 47 per cent. on the price of imports, should be reduced to 42 per cent. If a man took forty-seven drinks in the day and reduced them to forty-two, you would not call him a teetotaler ; so a small reduction of a high tariff cannot be dignified as one of Free Trade ; but it is the thin end of the wedge, and may be driven home so as to rend in twain the system of Protection. The real question before the people was whether Protection is the source of high wages among the working classes.

## THE VALUE OF WAGES.

You are aware that wages in America are notably higher than they are in this country. This is generally but not invariably true. Nominal wages mean

so many dollars or shillings per week ; while real wages are the necessities and comforts which can be bought by them. Let me give you a concrete illustration. I know the case of three men who emigrated from Bradford to America. They earned 32s. in this country, and went under an engagement to receive 50s. in the United States, where they have been for two years. About six weeks since they wrote to their old English master offering to come back at their former wages, because they found that these went further in England than their higher nominal wages did in America. Upon hearing what they had done, their American employer raised their wages to 56s., and they remain to see whether this will render their position more favourable. In considering my observations bear in mind the important difference between nominal and real wages.

What makes nominal wages higher in the United States ? The real wages of unskilled labourers are certainly higher in that country, but I am by no means so certain that those of skilled workmen are. There are two great political parties in America—the Republicans and the Democrats. The former support Protection, and contend that wages are raised by this system and maintained at a high level. The Democrats, in the late contest, have with some misgivings now ranged themselves in favour of a reform of the tariff, and they deny that Protection influences wages

in any sensible degree. Protection, say the Republicans, creates industries which would not exist without it, and therefore it gives work to labour. It is not work for itself that the labourer desires ; he wishes to obtain a comfortable living from his work. He does not live to work ; he works to live. Good living at the lowest price is the workman's aim. How can taxes on most of the necessaries and upon all the comforts of life help him to that end ? When taxes, averaging about one-half the value of commodities, are put on foreign imports, home-made goods must rise to the increased selling price, otherwise Protection would neither have meaning nor justification. It is obvious that, under these conditions, each man as a consumer pays a tax to himself as a producer. You work in a woollen mill under this Protection, and are gratified that the toolmaker, the shoemaker, and hatter pay taxes for the support of your industry ; but they are consoled because you pay taxes to support them in their trades. This is a vicious circle, and you might as well transfer money from your left to your right pocket in the vain hope that you are enriching yourself. If Protection gives to a man more wages, where does the *more* come from ? It comes from the taxes, which all working men have to pay to support Protection. Experience has certainly proved that Protection is not inconsistent with high wages in a new country like America. This is a very

different proposition from the statement that Protection is the *cause* of high wages.

A little consideration will convince you that Protection has nothing but a deteriorating influence on the rate of wages. In the first place, the unprotected industries in the United States have higher wages than the protected trades. In a country where all the national expenditure is met by Custom and Excise duties, it is difficult to say that any trade is absolutely free, but some industries are relatively free as compared with manufactures which are protected by excessive duties varying from 60 to 100 per cent. The carpenters who have little protection, make £90 yearly, while the protected cotton spinners and weavers get £49. The unprotected bakers win £84, while the protected makers of men's clothes get £57. The free printers obtain £118 in wages, but the protected machine makers have only £91 wages. The workers in stone and marble have £91 wages ; but the closely protected industries of iron and steel average £78. These are the averages which I take from the returns in the census, and they might be largely multiplied. They are conclusive as to the fact that the wages of protected industries are lower than those which have little or no Protection from the tariff. General Liebe, in his recent work on the tariff, gives a table of the wages in twelve staple industries under Protection, and of twelve which were



unprotected. Besides being higher, the wages of the unprotected workmen, during the six years ending 1886, have increased from 10 to 35 per cent.; while those of the protected labourers *fell* from 5 to 35 per cent.

Still, you may think that Protection may at least regulate and render uniform the wages of like industries all over the country. It does nothing of the kind. The variation between the wages of the same industries in different parts of the Union is greater than between it and the United Kingdom. Ohio and Connecticut are States with woollen manufactures, but the wages vary by 70 per cent. New Jersey and North Carolina have cotton-mills, and their wages differ by 80 per cent. Now, the alleged difference between the wages of America and England is generally taken at 50 per cent. Observe, then, that Protection neither ensures the highest wages to its industries, nor does it equalise them in the same trades. That wages are not governed by Protection follows from the fact that they are no higher in an industry working under a prohibitive duty of 100 per cent. than in one having a more moderate tax of 25 per cent.

#### EVILS OF PROTECTION.

The most serious evil of Protection in America is that it practically restricts the markets for manufac-

tured goods to the domestic demand of its population of sixty millions. This, no doubt, is a large market, but it is not nearly so large as the market of the world. The exclusion of foreign markets produces a frequent glut of commodities, and many mills make in seven or eight months as much as they can sell in twelve ; so they shut up for three or four months in the year. Of all material evils, insecurity in the means of living is the most disheartening, the most exasperating, and the most demoralising to working men. An enforced idleness for a third or fourth of the year is disastrous to working men. It means seven months' pay for twelve months' living. I quote, as an illustration of what is constantly happening, a single paragraph from the *Boston Post* of 10th November :—"The carpet mills of E. S. Higgins & Co. gave notice of a reduction of 600 men from Monday next. At Reading to-day the ironworks were shut down for an indefinite time, and 300 men and boys were thrown out of work. The Boston sugar refinery will be closed to-night for an indefinite period. This refinery reduced the wages of the workmen 7 per cent. on 1st October." Periodical stagnation of this kind must be hateful to working men, who like steady and continuous labour. In 1885, out of 816,000 operatives in Massachusetts, 241,000, or 29½ per cent., were out of employment in this way for part of the year. In the cotton mills, 39 per

cent. males and 43 per cent. females ; in the woollen factories, 39 per cent. males and 45 per cent. females ; and in the boot and shoe machine shops, 67 per cent. males and 71 per cent. females, had these stoppages in their annual work.\* The nominal high rate of wages thus suffers a serious reduction. Except in the face of grave depressions of trade, we do not experience this evil in England, because the cheap cost of production enables our goods to be sent to foreign markets, although the domestic market may be glutted by over-production. The autumn steamers bring back to England many of these idle workmen. The steamer *Germanic*, on its return voyage from New York this week, is to bring over from 600 to 800 working men. They return to England to spend the three months when there is no employment for them at the mills ; because they may get work in this country, and, even if they do not, it is much cheaper to live here during enforced idleness. They return to America in spring to get their high nominal wages when the factories are again open.

The Republicans assert that Protection is necessary for the employment of native American labour. The real truth is that protected factories now employ few Americans. In a large mill in New Hampshire, em-

\* David A. Wells—"Relation of the Tariff to Wages," p. 42. Fifty-six other occupations were enumerated in this State, of which half the whole number were idle part of the year.

ploying 6,000 hands, only 230 Americans are found among them; the rest consisting chiefly of French Canadians, a good many Irish, with a few Germans and English. You have lately heard a good deal about the fisheries, which are now straining the relations between this country and the United States. These fishing vessels sail from the coasts of New England to fish on those of Canada, and it is contended that they must be protected because they are the chief nursery for American seamen. In these fishing vessels there are only 25 per cent. of American seamen, the remainder of 75 per cent. consisting of Canadians and English sailors from New Brunswick and Nova Scotia. I state this on the authority of the chairman of a Committee of the House of Representatives, which has been appointed to inquire into the fact that Americans are so rapidly lessening in the protected industries. The causes of this diminution are not far to seek; they are due to the circumstance that native Americans desert protected industries which are constantly lowering wages, owing to the pressure of competition in a limited market, and they pass over to the unprotected labour, which is better paid.

#### PROTECTION FAILS TO MAINTAIN GOOD WAGES.

Allow me now to give my reasons for the general fact that Protection not only fails to maintain good

wages, but that it is a force, and a strong force, to lower them. Buyers and sellers are correlative. If a man cannot sell his labour for the whole of the year, he cannot buy manufactured products when he is idle, except by stinting his purchases, and encroaching on his savings to purchase the actual necessities of life. When mills stop for some months in the year, the workmen become poor and discontented. This leads to the strikes and depressions which are so painfully frequent in America, and about which I shall have something to say later on. In the mutual dependence of buyer and seller, the American workman sells his labour under conditions of Free Trade, because there is perfect Free Trade in the thirty-eight States and eleven territories of the Union; but he buys his commodities under Protection. The workman as a buyer cannot get any foreign manufactures except at a price fifty to seventy per cent. higher than its cost in Europe, while the home manufactures, except when there is a glut of them, are sold at a price which represents the duty of the tariff added to the production. These high-priced goods largely lessen real wages, which, as I have explained, are the amount which you can get for your money in providing the needs and comforts of life. This lowering of real wages is represented in a concrete form by the higher price of all protected commodities, whether they are imported from abroad or are made at home. Taxes

thus laid upon labour come out of the pockets of the people, and have exactly the same effect as if you made a direct deduction from the power of tools, from the fertility of the soil, or the capacities of the climate. You must then see that Protection is a force which cuts down nominal wages, and that the high cost of production caused by them forces the competing manufacturer either to lower wages or to seek for cheaper labour from the foreign emigrants who flock to America from every other country :—

Great Empire of the West,  
The *dearest* and the best,  
Made up of all the rest.

#### THE REASON WHY.

I have denied that Protection determines the high rate of wages in America, and I must now explain what causes it.

Why are wages higher there than in England? Cobden explained the condition of wages in a single sentence. "When two men ask work from one employer, wages are low; when two employers are after one man, wages are high." This is the law of supply and demand, and it rules wages in America as it does in England. In the United States there are only fifteen persons to a square mile, while in England and Wales there are 446. Sir Walter Scott said, "Whenever a Scotchman gets his head above

water he makes for the land." The very reverse is true as regards America, for whenever the labourers of any nation in Europe get their heads below water, they strike out for the prairies of America. The land of that country now requires eight millions of labourers to cultivate it, while those in other industries amount to about three millions. They are only partly under Protection—the general estimate being that there are from seventeen to twenty unprotected labourers for every one who is working in a protected industry. In order to be on the safe side, let us put the proportion as ten to one. Is it not obvious, when the unprotected industries compete for ten men, and the protected industries for one, that it must be the former and not the latter which determine the rate of wages? Of the unprotected industries, agriculture is much the most important. Out of seventeen and a half million bread winners in the United States, the land employs eight millions; so that is necessarily the industry which rules the rate of wages. Protection has absolutely nothing to do with it, except as a force which lowers the rate. Compare wages in the east and west of America. The State of Maine, in the east, is occupied with the lumber and other trades, fully protected, and its average wages are £52 yearly; while California, in the west, with its farms and its orchards, having no Protection, has an average wage of £96. Farming,

a perfectly free industry, is the chief competitor for labour, and has to pay more for it. You see exactly the same thing in our new colonies when they possess large tracts of virgin land. Australia is an excellent example, because there, side by side, is a colony with a policy of Protection and another with Free Trade. Victoria enjoys Protection, while New South Wales has adopted the policy of the mother country, although, latterly she has shown a retrograde action. What has been the result of the two systems? Victoria, twenty years ago, had the largest population, and has increased it by 62 per cent.; while Free Trade New South Wales has grown by 139 per cent., and now pays wages which are even higher than those of the United States. The male wage-winners of Victoria emigrate to the neighbouring Free Trade colony, and the Protectionist colony has now an excess of female labour. The wages of a man in Victoria being £83; if he pass to New South Wales he gets for the same work £100.

#### SUGGESTED ANNEXATION OF CANADA.

Senator Sherman, a politician of mark in the United States, is agitating the American people to annex Canada, and sever it from England. Vast as is the territory of the United States, and rapid as is the growth of its population, which ought to count between one and two hundred millions in another



thirty years, it is not vast enough for a system of Protection relying on home markets for the disposal of its products. So its politicians want Canada, a country about the same area as the United States, now thinly peopled, but with great potentiality of growth. The annexation of Canada, either by negotiation or by force, would wound our national pride ; but would it wound our commercial supremacy, as American politicians believe ? Its effect upon the whole continent of North America would be to keep up nominal wages over that vast area for another hundred years, and to exclude it still more effectually than at present from the foreign markets, which buy our manufactured goods. How wise are statesmen in their generation !

#### EMIGRATION.

Perhaps you are not yet convinced, and wish me to explain why it is that extensive emigration goes to America if Protection does not keep up wages. No doubt Protection stimulates emigration, but not in the way which its advocates believe. The chief emigration to America is from countries of high Protection, which, by lowering wages, drive out their working men. China is the father of the protective system, and Chinese labourers swarmed to the Pacific coast, until their influx was prohibited by law. The protected countries of Germany and Italy send out

a large number of emigrants to America. The country which sends out fewer is Free Trade England. From 1880 to 1887 highly protected Germany sent out 1,235,926 emigrants, or 29 per cent. of the whole number; while this Free Trade country supplied 496,037, or 11½ per cent. Ireland, during that time, sent out 534,691 emigrants, or 12½ per cent., and you know the causes which make Ireland unhappy and discontented. If Protection is a panacea for high wages, why did protected Germany send out nearly three times as many of her people as Free Trade England?\* Few of our skilled labourers emigrate from Great Britain, because for them real wages are not very different on either side of the Atlantic. Unskilled labourers are wise to emigrate, as the demand for them is greater than in this country, and the real wages are higher. It is not Protection which to any considerable extent beckons the labourers from other lands. In the last ten years, excluding the women and children, only 2 per cent. of the emigrants went into protected textile and metal industries, and another 2 per cent. into mining.

As we are dealing with the effect of Protection on wages, let me interpolate an observation in regard to European countries. The low-priced labour of

\* The total number of immigrants into the United States between 1880-1887 was 4,257,262, of whom 1,149,207, or 27 per cent., were from the United Kingdom.

Russia seeks to protect itself by a heavy tariff against the higher wages of Germany. Italy, with its badly paid labour, desires to exclude the German goods. Most of the European countries unite to protect their cheap labour by high tariffs against England, where the average wages are from 80 to 100 per cent. higher than on the Continent. Mistaken as to their means, we still recognise a general purpose, that it is well to protect the weak against the attacks of the strong. But Protection in the United States is the very reverse of this, for there it is a case of the strong trying to protect themselves against the weak, the high wage-earners endeavouring to shut out what their politicians call "the pauper labour of Europe."

#### COMPARISON OF WAGES.

You ask me to come back to the comparison of American and English wages, although I thought I had dealt sufficiently with this question ; but I will try to explain myself more fully. It is almost impossible to compare rates of real wages between two countries, as the conditions vary materially. Blaine, the leader of the Republican party, tried to do so when he was Secretary of State, by getting excellent consular reports from different parts of England. I give the conclusion in his own words ;—"The hours of labour in the Lancashire mills are fifty-six, in

Massachusetts they are sixty per week, and in the other New England States, where the wages are generally lower than in Massachusetts, they are sixty-six to sixty-nine hours per week. Undoubtedly the inequalities in the wages of English and American workmen are more than equalised by the greater efficiency of the latter and their longer hours of labour." During the election the Protectionists posted a placard in the chief mills and workshops of New York, giving the average wages of seventeen staple industries in various countries. I give you the comparison for what it is worth, as I have no means of testing its accuracy. The wages in Germany are given as 14s., in England as 30s. 8d., and in New York as 49s. 6d. Let us draw our own conclusions from this Protectionist statement. Wages in these seventeen staple industries are 111 per cent. higher in Free Trade England than in protected Germany, though they are 61 per cent. higher in America than in England. On the other hand, the latter figure represents the average increase of 50 to 70 per cent. levied by taxation upon manufactures. Wages are not measured by money, but by the worth which can be bought by it. Another estimate of American and English wages has been made by Carroll Wright, the head of the Labour Bureau, and whether he is right or wrong his calculations are painstaking and honest. He says that a Massachusetts mechanic

with a wife and three children, two of them working, makes in a fully employed year £160; while the English mechanic, under like conditions, makes £103. But it costs the American workman, according to the same authority, £151 to live comfortably, and the English operative spends only £101. If this comparison be true, at the end of the year the American mechanic will have saved £9, and the Englishman only £2. Recollect that the latter has less work per week to the extent of four to six hours. I have looked to the savings banks to test this estimate, but they are only one method of ascertaining the thrift of a whole people. Building societies, prudential associations, and other agencies for promoting thrift complicate the question. Taking all the people of the United States, their deposits in savings banks are £4 per capita, while in the United Kingdom they are £3. The latter sum has in this country more purchasing power, so that the savings of the working classes in the two countries may be considered equal. It is the custom of American politicians to magnify the efficiency of their working classes as a contrast to the worn-out and effete people in Europe, especially in "decrepit old England." Thus it is said that, while an English operative can only manage three looms, an American undertakes five or six. I think, for the same class of work, American managers get more work out of

their men than English do, for the discipline of the workshops is more severe. Usually, however, the comparisons are made upon incomparable conditions. The cotton operative here is usually engaged on a finer class of goods, when his American brother chiefly produces coarser fabrics. In England cotton is dear and labour is cheap, so we use more labour and less cotton than they do in America. Besides, an operative in their mills will turn out more product when he works from four to ten extra hours per week. I have told you that native Americans are disappearing from the mills; so the comparison is not between American and English operatives, but between untrained French Canadians and Irish, who take their places, and the trained English worker in his own country, and how the latter can be inferior to the former passes human comprehension. The real American working man is a most efficient operative; but that he is better than a good, honest English artisan I could not find out in my investigations. I must conclude this part of my observations by asking your assent to my conclusions that Protection is a gigantic error when it claims to be the source of high wages.

Wheresoe'er I turn my view,  
 All is strange, yet nothing new;  
 Endless labour all along,  
 Endless labour to be wrong.

Recollect that I have been discussing the effect of Protection not on infant but on matured industries. I do not here care to contend, though I do not admit the argument, that protected infant industries, when first initiated, may enhance wages and profits. Even if it were necessary to attach a third horse to pull a load up a hill, it is too costly to continue it when you reach the level. The evils of Protection become more palpably manifest when infant industries have grown into maturity and produce glutted markets by excessive competition, for then a time arrives when the evil of Protection shows itself by low wages, strikes, or lock-outs, and periodical stagnation, resulting in the destruction of the weak and the survival of the fittest.

#### TRADES UNIONS.

I now direct your attention to the Trades Unions in America. In the acute year of depression, 1884, the reduction of wages was chiefly in protected industries. In cotton and woollen mills it was from 20 to 30 per cent., while there was no lowering in the wages of unprotected house builders, carpenters, stone cutters, and brickmakers. In the protected iron industries wages fell from 15 to 22 per cent.; but the unprotected butchers, bakers, millers, tanners, and printers did not suffer. Wages in the protected silk mills fell 15 to 25 per cent., though those of

labourers on the land were maintained at their old rate. Trades Unions cannot regulate markets, but they are useful in getting the benefit to the labourer when these improve. Even in years of prosperity, strikes—the last resort of workmen—are painfully frequent in America. In 1887 there went out on strike 340,854 persons, and of these 112,317, or about one-third, were in Pennsylvania, a State in which the highly protected iron industries are situated. From 1881 to 1886 no less than 1,323,203 workers were out on strike, and their loss in wages, according to the report of the Labour Bureau, was 12 $\frac{1}{3}$  million sterling.\* Putting the complete and partial successes to the credit against the failures, a gain of average wage of one shilling and a halfpenny per day was achieved; but to obtain this the whole of the strikers would have to work 99 days before they covered the loss during the strikes. This uneasiness of labour, which has been marked for some years, led to the formation of a gigantic organisation called “The Knights of Labour.” The bread-winners of the United States number 17 $\frac{1}{2}$  millions, and of these this organisation claims that it enrolled from 1 $\frac{1}{2}$  to two million members. Its aims were much larger than those of Trades Unions. The latter have been an important educational force in the industrial life of

\* Report of Commissioner of Labour—“Strikes and Lock-outs,” p. 18.



England, and have raised the level of conduct and political ability of our working men. Even in our past history there have been no doubt instances in which Trades Unions have been wild and irrational in their means and ends ; but as they got experience and education the relations of the employers and the employed became more harmonious, while the acts of our unions in asserting fair and just consideration for the claims of labour became more temperate, steady, and wise. The American Trades Unions have not yet won this experience. They scarcely existed before the war of secession, and they are still noisy and irrational in their ways, which are neither so effective nor cleanly as with us. The Knights of Labour arose to make them all-powerful. Many Trades Unions merged themselves in this organisation, and gave up their self-government. It was a huge confederation of labour, and aimed to subordinate all local and special interests in a centralised government. It grew with amazing rapidity, and showed so much political power that, as General Walker, the distinguished American political economist, remarks, "it goes without saying that the politicians grovelled, as only American politicians can grovel, before all who were supposed to exercise influence among the Knights of Labour." This organisation asserted its right and power to transfer the whole initiation of

production from the employing to the labouring class. No employer could under such conditions enter into contracts or extend his business. The huge force of the new confederation was to be thrown in favour of local strikes, while boycotting and other means of pressure were to be unsparingly used. This tyranny at one time seemed as if it would prove intolerable, and thoughtful men looked with alarm to a wholesale destruction of wealth, and to the general prostration of industry. The Knights of Labour have dismally failed. Their one and a half million of members have shrunk to 200,000 in the few years of their existence, and now, even among American politicians, there are none so poor as to do them reverence. The Trades Unions have withdrawn from the confederation and resumed their former autonomy. In condemning some of the ways of Trades Unions in America, such as the outburst of lawlessness in the Middle States in July, 1877, we must not forget, in extenuation, that, in good times, Protection brings excessive profits to a few capitalists, while, to an undue extent, it throws the burden of bad times upon the wage-earners.

#### WAGES AND PRODUCTS.

All political economists now agree that high-priced labour produces low-priced commodities, while cheap labour means dear goods. This is now under-

stood by most trades, but not by all. In the black country round Wolverhampton the manufacture of nails and chains is still a domestic industry, carried on in the house of a workman, with the most primitive machinery, like a hammer called "the oliver," which is an instrument of home construction fearfully and wonderfully made out of old bedposts or other ready contrivances. The wages of the workers are deplorably low, yet the peaceful, orderly population work on with the hope of improved times, although factories, with machinery conducted by labourers highly paid, are destroying the domestic trade. The machine-made nails from America now push hand-made nails out of the market. In factories run by machinery the labour cost in the finished product is small, varying from 15 to 21 per cent. of its cost. You will readily understand this because there are fewer workmen to the product, though their wages are high. Notwithstanding that the cost of the sum of labour in a machine product is low, its cheapness is compassed through high wages. The skilled English workman has no fear of low-priced inexpert labour, but he does fear high-priced expert work. The high wages in this country are not lowered by the low wages of the European Continent. Yet it is this "pauper labour of Europe" that is used in America to stalk as a spectre round the ramparts of Protection—a grim sentinel to scare the working

men. The employer, as well as the employed, now knows that Adam Smith was right when he said that high wages produce more active, diligent, and expeditious work than when they are low. Wages are really a share in the product of industry, and must ultimately be determined by the value of the product in the markets of the world. When a working-man in Free Trade England has earned his wages he can spend them on untaxed commodities, with the exception of a few necessaries such as tea, or some luxuries like spirits and tobacco, which contribute to the imperial revenue. The working man in America finds himself face to face with taxation in every act of his life. Henry Philpot, a farmer's boy, describes his own experience as follows:—"When I rise from my humble cot in a log-farm house, throwing off my bed-clothes, taxed 40 to 100 per cent., and putting on clothing, taxed 35 to 100 per cent., I eat my breakfast from dishes, taxed 45 per cent., on a tablecloth, taxed 40 per cent.; and when the Sabbath bell, taxed 35 per cent., sounded its inviting notes, I took my Bible, taxed 25 per cent., and went to the church built of lumber, taxed 20 per cent., and there I sung from my hymn-book, taxed 25 per cent."\* It is surely needless to explain more fully than I have done that high nominal wages are not real wages in a protected country.

\* Henry Philpot, "Tariff Chats," p. 23.

## PROTECTION LEADS TO SOCIALISM.

The last experience which I derived from my study of the effects of Protection may surprise you. It is that Protection leads slowly, but surely, to Socialism, and tends even to Communism. There are certain Socialistic aims that all but the *laissez faire* politicians approve. The State ought to be empowered by health, factory, mining, and education laws to secure for the people an unmutilated and undeformed manhood, or, in other words, to preserve by public means the conditions for a humane existence in a civilised country. That common and limited Socialistic action of the State is very different from that which unwisely intervenes to save individuals from the labour and struggles of their daily lives, by taxing all of us to compensate for the deficiencies or idleness of some of us. If a State, through protective laws, can say that some of us are to be taxed, not for the security of all of us, but for the exclusive benefit of those who are monopolists or manufacturers, in order that they may obtain steady and large profits, on what principle can the latter object, when the working men, who have the controlling power in politics, turn round upon them and say, "You have taxed us to guarantee your profits, and now we propose to get the State to tax you manufacturers to guarantee us our wages." That is rank Socialism ;

but so is Protection. The man who asserts his right to take away some of the earnings of a working man through taxation to support the industry of another, whether he be a manufacturer or an operative, is very near being a Communist, differing very little from the man who denies the right of property altogether. It is not the way in which you are despoiled, but it is the fact that you are despoiled which constitutes the wrong. If it be right that the State should tax you because your neighbour's ironworks or cloth mills do not pay, it cannot be wrong for workmen to insist that it should provide public workshops, or to insure their lives, or promote any of the various devices which Socialists demand as a means of lessening the struggle for existence among individuals. Within the last few weeks you have seen an instance of this in France. Protection in that country has raised the price of the loaf, and the people have demanded that a maximum price should be put upon bread—a power which French law gives to the Government. This was conceded, and private bakers shut up their shops, whereupon a new cry has arisen for national bakeries. If you think my view is fanciful—that Protection leads to Socialism and tends to Communism—look at the movements in many countries under that fiscal system. Russia is honeycombed by Socialists ; so is France ; while Germany has passed severe laws for their repression. In the recent International Trades

Union Congress held in London, it was not the British workmen who talked Socialism or Communism, but the deputies who came over from the protected countries. In America, Socialistic outbreaks, supported by dynamite, have occurred, and the leaders have been hanged in Chicago. The Knights of Labour, had they been successful, were tending to Socialism in labour. Can you be surprised at it? Protectionists live on the product of the labour of others. In the United States one protected labourer is supported by a tax on seventeen unprotected. The principle of living on the labour of others is a principle which leads to great expansion.

#### WHAT FREE TRADE HAS DONE FOR ENGLAND.

I need not draw a moral from my sermon. England for forty years has rejoiced in Free Trade. Before that period, when she was under Protection, her working classes had few comforts of life, and were unable to lay by savings for their old age. Under Protection our industries had become stationary, though the population increased. In 1815 our annual exports amounted to fifty millions, and in 1840 they were exactly the same. Free Trade was gradually introduced, and became complete in 1856. In the next thirty years exports had mounted to 212 millions, and wages rose with the increasing trade. Between 1850 and 1883 the average increase in British wages

has been about 39 per cent., while in the same period in America it has been 30 per cent. In the prolonged period of depression from 1873 to 1883 wages rose 10 per cent. in this country; but they fell  $5\frac{1}{2}$  per cent. in the New England States under Protection. Nominal wages in many cases and real wages in some are higher in America than in England. This difference depends upon the conditions which prevail in a new and undeveloped country, but not upon Protection. American politicians are fond of speaking of "decrepit old England, with its pauper labour." What are the signs of its decrepitude? Not commerce, for that largely increases; not diminution of population or increase of pauperism, for the former augments and the latter becomes lower. The best test of the prosperity of a country is the rate of increase of its population, for that indicates what its industries can support. Between 1851 and 1861, when Free Trade was on its first trial, the increase of population in the United Kingdom was 5·60 per cent.; in the next decade it was 8·8, and in that ending 1881 it amounted to 10·8, or nearly double the increase of the first period. Yet Senator Fry, of Maine, a State with one-nineteenth of the density of population, and one-fourth the ratio of growth of England and Wales ( $3\frac{1}{2}$  as against 14·4), has the boldness to assert in the Senate that our country is rapidly declining under Free Trade. There are some States in America, like



Ohio, Indiana, and Delaware, which have increased by ratios of from 17 to 19; but the old-established States, like New York and Connecticut, have not yet reached an increase of 16 per cent. in the last decade. One Protectionist State—Vermont—only increased by  $\frac{1}{2}$  per cent. Test the whole question, in any way you choose, by real wages, by savings, by commercial prosperity, by population, by reduction in pauperism and crime, and you will not find the slightest support from American experience that Free Trade is a delusion, that Protection adds to the remuneration of labour, or that it acts in any other way than as a drag upon the development of nations.

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THINGS SEEN AND

THINGS NOT SEEN.

FROM THE FRENCH OF

FRÉDÉRIC BASTIAT,

*Abridged from the Translation by  
DR. HODGSON in 1852.*

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# THINGS SEEN AND THINGS NOT SEEN.



## CHAPTER I.

### THE BROKEN PANE.

HAVE you ever witnessed the rage of the worthy citizen Jacques Bonhomme,\* when his rogue of a son has happened to break a pane of glass? If you have ever been present at this spectacle, assuredly you must have observed that all the bystanders, were they as many as thirty, made haste with one accord to offer to the unfortunate owner this never varying consolation, "It is an ill wind that blows nobody good. Such accidents do good to industry. Every body must live. What would become of the glaziers, if windows were never broken?"

Now in this formula of condolence there is an entire theory, which is the basis of the economic errors of a large part of the world.

Supposing that six francs (five shillings) are re-

\* Jacques Bonhomme is to the French what John Bull is to the English.

quired to repair the damage, if it is meant that the accident brings six francs to the glazier, and encourages his industry to the extent of six francs, I grant it readily: the reasoning is just. The glazier comes, he finishes the job, he pockets six francs, rubs his hands, and in his heart blesses the mischievous urchin. *This is what is seen.*

But if, by way of inference, it be concluded, as it is too often, that it is a good thing to break windows, that it makes money circulate, that the result is an encouragement to industry in general, I am obliged to cry *halt!* Your theory stops at *what is seen*, it takes no account of *what is not seen*.

It is not seen that since our citizen has spent six francs on one thing, he cannot spend them on another. It is not seen that if he had not had that pane of glass to replace, he would have replaced, for example, his shoes now down at heel, or would have placed another book in his library. In short, he would have made of those six francs some use which now he cannot make.

Let us then look at the industry of the country as a whole.

The pane of glass being broken, the industry of the glazier is encouraged to the extent of six francs; *that is what is seen.*

If the window had not been broken, the industry of the shoemaker (or some other) would have been encouraged to the extent of six francs: *this is what is not seen.*

And if one took into consideration *what is not seen*, because it is a negative fact, as well as *what is*



*seen*, because it is a positive fact, one would understand that it is of no consequence whatever to industry in general, or to the sum of national industry, that windows should be broken or should not be broken.

Let us now make the reckoning of Jacques Bonhomme.

In the first case supposed, that of the broken pane, he spends six francs, and has neither more nor less than before, the enjoyment of a pane of glass.

In the second, that is, if the accident had not happened, he would have spent six francs in shoes, and would have had at once the enjoyment of a pair of shoes and that of a pane of glass.

Now, as Jacques Bonhomme forms part of society, it must thence be concluded that, considered in its totality, and the balance of its labours and enjoyments being fairly struck, society has lost the value of the broken pane.

Hence we arrive at these conclusions—

“Society loses the value of objects uselessly destroyed.”

“To break, to destroy, to dissipate, is not to encourage the national industry.”

“Destruction is not profit.”

The reader must try to establish clearly that there are not two persons only, but three in the little drama to which I have called his attention. The first, Jacques Bonhomme, represents the consumer reduced by the breaking of the pane to one enjoyment instead of two. The second, the glazier, is the producer whose industry is encouraged by the accident. The

third is the shoemaker (or any other craftsman), whose industry is discouraged to the same extent by the same cause.

It is the third person who is always kept in the shade, and who, personifying *what is not seen*, is a necessary element in the problem. It is he who shows us how absurd it is to see a profit in a destruction. It is he who will soon teach us that it is not less absurd to see a profit in protection, which is, after all, a form of destruction. Indeed, if you go to the root of all the arguments which are used in favour of restriction or protection, you will find that they all resolve themselves into another way of saying, "*What would become of the glaziers, if windows were never broken?*"

## CHAPTER II.

## THE COST OF AN ARMY.

IT is with a nation as with a man. When a nation wishes to allow itself a satisfaction, it must consider whether the satisfaction is worth what it costs. Security is the greatest of national blessings. If, to acquire it, it is necessary to organise a hundred thousand men, and to spend a hundred millions (of francs), I have nothing to say. It is an enjoyment purchased at the price of a sacrifice.

Let there be no mistake, then, as to the scope of my position.

A member of Parliament proposes to disband a hundred thousand men, in order to relieve the taxpayers to the extent of one hundred million of francs.

The taxpayers may reply:—"These hundred thousand men, and these hundred millions, are indispensable to the national security; it is a sacrifice, but without this sacrifice France would be torn by factions, or invaded by a foreign enemy." To this argument I have nothing to oppose. It may be true or false in fact, but it involves no heresy in economic theory. The heresy begins with the attempt to represent the sacrifice as an advantage, because it profits some one.

Yet the moment such a proposition is made some one will exclaim, "Disband a hundred thousand men! are you serious? What will become of them? How will they subsist? Will it be by labour? But do you not know that labour everywhere wants employment—that every occupation is overstocked? Would you throw them into the market, to increase competition and to depress wages? At a time when it is so difficult to earn the humblest livelihood, is it not fortunate that the State gives bread to a hundred thousand men? Consider, besides, that the army consumes wine, clothes, arms—that it thus creates activity in the workshops in the garrison towns; and that it is, in a word, the providence of the numberless persons who live by supplying its wants. Do you not shudder at the thought of annihilating this immense industrial movement?"

This argument, it will be seen, leaves on one side the necessities of the service, and attempts to justify the maintenance of a hundred thousand soldiers on alleged economic considerations. It is these considerations only that I have to refute.

A hundred thousand soldiers and all the work-people and tradesmen who supply their wants are supported by means of the hundred million francs subscribed by the taxpayers. *This is what is seen.*

But the hundred millions, being taken from the pockets of the taxpayers, cease to support these taxpayers and those who supply their wants: *this is what is not seen.* Make the calculation, put down the figures, and tell me where is the profit for the nation as a whole.

On my side, I will tell you where the loss is ; and for simplicity's sake, instead of speaking of a hundred thousand men and of a hundred million of francs, let us reason on one man and a thousand francs.

Let us take the village of A. The recruiting sergeants make their round, and carry off a man. The tax-gatherers make their round also, and carry off a thousand francs. The man and the money are transported to Metz, the money keeps the man for a year in barracks. If you look only at Metz you will see an advantage ; but if you cast your eyes to the village of A. you will think otherwise ; for, unless you are blind, you will see that this village has lost a labourer, and has lost the thousand francs which he would have earned by his labour, and has lost the activity which, by the outlay of those thousand francs, he would have diffused around him.

At the first glance, it would seem that the two cases exactly balance ; that what before passed in the village of A. now passes at Metz, and that is all. But the loss is in this. In the village a man dug and worked ; he was a labourer : at Metz, he goes through his facings—eyes right, eyes left ; he is a soldier. The money and its circulation are the same in the two cases ; but in the one case there are three hundred days of useful labour, in the other three hundred days of useless labour, always on the supposition that a part of the army could be disbanded without risk to national security.

Now, let us consider the proposed disbanding. You point to an increase of a hundred thousand labourers, increased competition, and the lowering

effect of that on the rate of wages. That is what you see.

But here comes what you do not see. You do not see that to disband one hundred thousand soldiers is not to annihilate a hundred million francs, but to restore them to the taxpayers. You do not see that by thus throwing a hundred thousand labourers on the market, you throw, by the very same act, into the market the hundred millions destined to pay their labour; that, consequently, the same measure which increases the *supply* of labour increases also the *demand* for it; whence it follows that your fall of wages is an illusion. Before, as after, the disbanding, there are in the country a hundred million francs, corresponding to a hundred thousand men. But *before* the disbanding the country gave the hundred millions to the hundred thousand men for doing nothing; *after*, it gives the same amount of money to the same number of men for doing something. I repeat that whether a taxpayer gives his money to a soldier in exchange for nothing, or to a labourer in exchange for something, all the ulterior consequences as to the circulation of the money are the same; only, in the second case, the taxpayer receives something, in the first he receives nothing. Therefore, if the soldiers are not required for national security, their maintenance is pure loss to the nation.

Let those who think otherwise answer this question:—If you can add to the wealth of the nation by maintaining soldiers, why not enlist the whole population?

## CHAPTER III.

## GOVERNMENT EXPENDITURE.

HAVE you never happened to hear it said, "Government expenditure is a fertilising dew? See how many families it supports, and how many industries it benefits."

This is only another example of what I have explained before.

When a Government servant spends for his profit *five francs more*, that implies that a taxpayer spends for his profit *five francs less*. But the outlay of the functionary *is seen*, because it is made; whilst that of the taxpayer is *not seen*, because it is prevented from being made.

What is very certain is, that when Jacques Bonhomme pays five francs to the tax-gatherer, he receives nothing in return. When, by-and-by, a functionary who spends those five francs returns them to Jacques Bonhomme, it is in exchange for an equal value in corn or in labour. The net result is for Jacques Bonhomme a loss of five francs.

It is very true that frequently, most frequently if you will, the functionary renders Jacques Bonhomme an equivalent service. In this case, there is

no loss on either side, but only exchange. My argument, however, does not at all apply to useful functions. What I say is this: if you wish to create an office, prove its usefulness; prove that the services which it renders to Jacques Bonhomme are an equivalent for what it costs him. But do not urge that the mere employment of the functionary encourages industry.

When Jacques Bonhomme gives five francs to a functionary in return for a service really useful, the transaction is similar to giving five francs to a shoemaker for a pair of shoes. Both sides are quits. But when Jacques Bonhomme gives five francs to a functionary to receive no service in return, or even to receive annoyance, it is as if he gave them to a robber. It is of no use to say that the functionary will spend these five francs to the great advantage of the *national industry*; the robber would have done as much. Jacques Bonhomme would have done as much himself if he had not met on the road either of those robbers, the legal or the extra-legal.

Let me take a case. I am about to arrange with a ditcher to have a trench made in my field, at a cost of five francs. At the moment of concluding my bargain the tax-gatherer takes my five francs, and forwards them to the Minister of the Interior; my bargain is broken off, but Monsieur the Minister will add a dish to his dinner. Upon this you dare to affirm that this official outlay is an increase of the national industry! Do you not understand that there is here only a *displacement* of satisfaction and of labour? A minister has his table better furnished,



it is true ; but a farmer has his field worse drained, and that is not less true. A Parisian cook has gained five francs, I grant you ; but grant me that a provincial ditcher has missed gaining five francs. All that can be said is, that the official dish and the cook contented are *what is seen* ; the marshy field, and the ditcher without work, are *what is not seen*.

Good heavens ! What a labour to prove, with political economy, that two and two make four ; and if one succeed in this attempt, you cry, " It is so clear, that it is tiresome." And afterwards you vote as if nothing had been proved at all.

## CHAPTER IV.

## PUBLIC WORKS.

NOTHING is more natural than that a nation, when convinced that a great undertaking would be of service to the community, should execute it by means of a contribution raised from the community. But I lose patience, I confess, when I hear alleged in support of such a resolution this economic absurdity—"It is, besides, a means of creating employment for the workmen."

The State makes a road, builds a palace, improves a street, digs a canal; it thus gives employment to certain workmen—*that is what is seen*; but it deprives of employment certain other workmen—*this is what is not seen*.

Take a road in course of execution. A thousand workmen come every morning, go away every evening, receive their wages—that is certain. If the road had not been decreed, if the funds had not been voted, those worthy people would not have found in that place either work or wages. This also is certain.

But is this all? Must not the State organise the receipt as well as the outlay? Must it not send its tax-gatherers abroad, and lay its taxpayers under contribution?

Let us then study the question in its twofold bearing. While we mark the destination which the State gives to the millions voted, let us not neglect to mark the destination which the taxpayers would have given—and can no longer give—to those same millions. You will then understand that a public enterprise is a medal, with two sides. On one appears a workman employed, with this device—*What is seen*; on the other, a workman unemployed, with this device—*What is not seen*.

The sophism which I combat in this treatise is so much the more dangerous, when applied to public works, that it serves to justify enterprises the most foolish, and prodigality the most wanton. When a railway or a bridge has a real utility, it is enough to appeal to that utility; but if one cannot, what is done? Recourse is had to that mystification—“Employment must be provided for the workmen.”

Therefore, orders are given to make and unmake terraces in the Champ de Mars. The great Napoleon, it is well known, thought that he performed a philanthropic act in employing men to dig pits and fill them up again. He used also to say: “What signifies the result; we must consider only the wealth diffused among the working classes?”

Let us go to the bottom of the question. It is money that deceives us. To demand money from all the citizens for a common work, is in reality to demand their labour: for each one of them obtains by labour the sum which he has to pay in taxes. Now, it is quite intelligible that all the citizens should unite to accomplish, by their common labour, a work useful

to all: their reward would be in the results of the work itself. But that they should be required to make roads where no one will pass, to build palaces which no one will inhabit, and all this under pretext of procuring for them work, is an absurdity, and they would have good reason to reply—"This work is of no use to us; we prefer to work on our own account."

The process, which consists in making the citizens contribute in money and not in labour, does not in the least change the general result: only, by the latter proceeding, the loss would be shared by all. By the former, those whom the State employs escape their share of the loss, by adding it to that which their fellow-citizens have already to undergo.

There is an article of the constitution to this effect:—"Society favours and encourages the development of industry, by establishing, by means of the State, of the departments and the communes, public works suitable for occupying the hands unemployed."

As a temporary measure, in a time of crisis, during a severe winter, this intervention on the part of the taxpayer may have good effect. It acts in the same way as an insurance office. It adds nothing to work or to wages, but it takes the work and wages of ordinary times, to bestow them, with loss it is true, on periods of difficulty.

As a permanent, general, systematic measure, it is nothing but a ruinous mystification, an impossibility, a contradiction which shows a little stimulated labour *which is seen*, and hides much prevented labour *which is not seen*.

## CHAPTER V.

## THE MIDDLEMAN.

SOCIETY is the sum of the services which men render to each other willingly, or on compulsion, that is to say, of *public services*, and of *private services*.

The first, imposed and regulated by the law, which it is not always easy to change when it ought to be changed, may with it long survive their first utility, and still preserve the name of *public services*, even when they are no longer services at all, even when they are only public vexations. The second are within the domain of the individual will and responsibility. Everyone gives and receives what he will, what he can, after full debate. They have always in their favour the presumption of real utility, exactly measured by their comparative value.

It is for this reason that the former are so often struck motionless, while the latter obey the law of progress. The exaggerated development of public services, by the loss of force which it involves, tends to constitute in the heart of society a fatal canker. Yet many modern sects are so blind to this evil that they are always seeking to extend "State enterprise."

These sects protest strongly against what they call *middlemen*. They would willingly suppress the capi-

talist, the banker, the speculator, the contractor, the retailer, and the merchant, accusing them of interposing between production and consumption, in order to levy contributions on both, without rendering any value in return. Or rather they would transfer to the State the work which these middlemen accomplish, for that work could not be suppressed.

The sophism of the socialists on this point consists in showing to the public what it pays to *middlemen* in exchange for their services, and in hiding from them what they would have to pay to the State. It is always the struggle between what strikes the eye and what appears only to the mind, between *what is seen* and *what is not seen*.

It was especially in 1847, and on occasion of the scarcity, that the socialist schools endeavoured with success to make their fatal theory current among the people. They knew well that the most absurd doctrine has always some chance of disciples among men who suffer; "*malesuada fames*." ("Hunger which persuades to evil.")

Then by the aid of great phrases—"one man making profit by the ruin of another, speculation on hunger, monopoly"—they strove to calumniate commerce and to hide its benefits.

Why, said they, leave to merchants the care of bringing food from the Crimea and the United States? Why does not the State organise a service for supply and storing of provisions? The State would sell to the people at *cost price*; the poor would be freed from the tribute which they now pay to commerce.

The tribute which the people pay to commerce,

*that is what is seen.* The tribute which the people would pay to the State, or its agents, on the socialist system, *that is what is not seen.*

. In what consists this pretended tribute which the people pay to commerce? In this—that two men render a reciprocal service, in all liberty, under the influence of competition, and at a price settled by debate.

When the hungry stomach is at Paris, and when the corn that can satisfy it is at Odessa, the suffering cannot cease unless the corn and the stomach meet. There are three ways of effecting this meeting:—1st, the hungry men may themselves go to seek the corn; 2nd, they may employ those who make this their business; 3rd, they may contribute from their means and charge public functionaries with the operation.

Of these three ways, which is the most advantageous?

Men have always *voluntarily* chosen the second, at all times, in all countries, and I confess that this fact alone suffices, in my eyes, to place the presumption on that side. My mind refuses to admit that the whole human race are deceived in a matter which touches them so nearly.

Let us examine, nevertheless.

That thirty-six millions of French citizens should go to seek at Odessa the corn which they need is evidently impossible. The first way, therefore, may be set aside. The consumers, not being able to act by themselves, are obliged to have recourse to *middlemen*, whether functionaries or merchants.

Let us here remark, however, that the first way would be the most natural. In truth, it is for him who is hungry to go to seek his corn. It is a *labour* which concerns him; it is a *service* which he owes to himself. If another man by any title whatsoever renders him this *service* and takes this trouble for him, that other has a right to compensation. I say this now to show that the services of middlemen deserve remuneration.

In any case recourse must be had to what the socialists term a parasite. I ask which of the two, the merchant or the functionary, is the less exacting parasite?

Merchants—middlemen if you will—are led by interest to study the seasons, to learn day by day the state of crops, to collect information from all quarters of the globe, to foresee wants and to take precautions for their supply. They have ships ready, correspondents everywhere, and their immediate interest is to buy as cheaply as possible, to economise on all the details of the operation, and to attain the greatest results with the least effort. It is not only French merchants, but the merchants of the whole world who are engaged in supplying France with provisions in the day of need; and if interest leads them irresistibly to perform the task at the least expense to themselves, their competition with each other leads them, not less irresistibly, to give the consumers the advantage of the economies they have effected. The corn arrives. It is the interest of the merchants to sell it as soon as possible to avoid risks, to realise their funds,



and begin anew if occasion permit. Guided by comparison of prices, they distribute food over the whole surface of the country, beginning always at the dearest point, that is to say, where the want is most keenly felt. It is not then possible to imagine an *organisation* better calculated for the interest of those who want food; and the beauty of this organisation, unperceived by the socialists, results precisely from its being free. Of course, the consumer is obliged to repay to the merchants their cost of transport, shipments, storage, commission, etc.; but on what system would it not be necessary for the man who eats the corn to repay the expenses incurred in bringing it within his reach? It is necessary, besides, to pay a remuneration for the *service rendered*; but the amount of that remuneration is reduced to the *minimum* possible by competition.

Suppose the State were to take the place of independent merchants, what would be the result? Where would be the saving to the public? Would fewer ships be required, fewer sailors, fewer shipments, less storage, or would payment for all these things be dispensed with? Would it be in the merchants' profit? But would your delegates and functionaries go to Odessa for nothing? Would they undertake the voyage and the labour on the principle of fraternity? Must they not live? Must not their time be paid for? And do you think that this would not exceed a thousand times the two or three per cent. that the merchant gains—a rate to which he is ready to bind himself?

And then, think of the difficulty of raising so many taxes, of distributing so much food. Think of the injustice, of the abuse, inseparable from such an enterprise. Think of the responsibility which would weigh on the government.

The socialists do not see that society, under the influence of freedom, is a true association of human beings for their common good.

Let us illustrate this by an example.

That a man may, on rising, be able to put on a coat, land must have been enclosed, cleared, drained, ploughed, sown with a certain sort of vegetable; flocks must have been fed; their wool must have been shorn, spun, woven, dried, and converted into cloth; this cloth must have been cut, stitched, made into clothing. And this series of operations implies a multitude of others; for it supposes the use of agricultural implements, sheepfolds, manufactories, coal, machines, vehicles, etc.

If society were not really an association, the man who wants a coat would be obliged to labour alone, and by himself to accomplish the innumerable acts of this series, from the first stroke of the mattock, with which it begins, to the last stroke of the needle, with which it ends.

But thanks to the sociability which is the distinctive character of our species, these operations are distributed among a multitude of labourers, and it is to be noted that the larger the consumption becomes, the greater is the subdivision of labour, for when consumption is large, each special operation can be made the work of a special industry. If, for example,

in the course of the operation, transport becomes sufficiently important to occupy one person, spinning a second, weaving a third, why should the first be regarded as more a *parasite* than the two others? Must not the transport be effected? Does not he who effects it devote to it time and labour? Does he not spare the time and labour of his associates? Is not this exactly what those do for him? Is not the remuneration of all—that is their share of the product—equally subject to the law of supply and demand? Is not this division of labour effected for the common good? What need is there, under pretext of organisation, to destroy these voluntary arrangements? Does an association cease to be an association because each person enters and quits it freely, chooses his place in it, judges and stipulates for himself on his own responsibility, and brings to his share of the common work the stimulus and guarantee of his personal interest?

## CHAPTER VI.

## PROTECTION.

MR. PROHIBITOR employed his time and his capital in converting into iron the mineral on his estates. As nature had been more liberal towards the Belgians, they supplied iron to the French cheaper than Mr. Prohibitor could do, that is to say, the French people could obtain a given quantity of iron *with less labour*, by purchasing it from the Flemings instead of purchasing it from Mr. Prohibitor. Guided by their interest, the French people did not complain of this; but every day witnessed a multitude of nailers, smiths, cartwrights, machinists, farriers, and workmen, on their way, personally, or represented by middlemen, to provide themselves in Belgium with the iron they wanted. This very much displeased Mr. Prohibitor.

At first he thought of stopping this abuse by his own strength. This was, indeed, the fairest plan, as he alone suffered. I will take my musket, he said to himself, I will stick four pistols in my belt, I will fill my cartridge-box, I will gird on my trusty sword, and thus equipped, I will make for the frontier; and there, the first smith, nailer, farrier,

machinist, or locksmith that may present himself, with the object of buying Belgian iron instead of mine, I will kill him in order to teach him how to live.

At the moment of setting out, Mr. Prohibitor made some reflections which tempered a little his warlike ardour. He said to himself:—In the first place, it is not absolutely impossible that my fellow-countrymen, who are buyers of Belgian iron, may take my doings amiss, and instead of allowing me to kill them, may kill me. In the second place, even if I were to take with me all my servants, we could not guard all the passages. Finally, the proceeding would cost me very dear, dearer than the result is worth.

Mr. Prohibitor was sorrowfully about to resign himself to being simply free like everyone else, when a bright thought flashed across his brain.

He remembered that at Paris there is a great manufactory of laws. What is a law? he said to himself. It is a measure to which, when once decreed, be it good or bad, all are obliged to conform. For the execution of a law, a public force is organised, and to constitute the said public force, men and money are taken from the nation.

If, then, I obtained from the great Parisian law-factory a little law to this effect—"Belgian iron is prohibited"—I should obtain the following results:—The Government would, instead of the few servants whom I wished to send to the frontier, send twenty thousand sons of my refractory blacksmiths, locksmiths, nailers, farriers, artisans, machinists, and labourers. Next, in order to keep in good condition

of health and spirits these 20,000 custom-house guards, Government would distribute among them 25 millions of francs, taken from those same blacksmiths, nailers, artisans, and labourers. The guard would be more effective; it would cost me nothing; I should not be exposed to the brutality of hagglers about price; I should sell my iron on my own terms; and I should enjoy the sweet satisfaction of seeing our great nation ingloriously mystified. That would teach it to proclaim itself incessantly the precursor and promoter of all progress in Europe. The game will be exciting, and is well worth the attempt.

Mr. Prohibitor repaired accordingly to the manufactory of laws. I may, some other time, tell the story of his secret negotiations; but at present I will speak only of his ostensible proceedings. He addressed to the honourable lawmakers the following considerations:—

“Belgian iron is sold in France at ten francs, and this obliges me to sell mine at the same price. I should greatly prefer to sell mine at fifteen, and I cannot on account of this Belgian iron, which may heaven confound. Construct a law which shall say, ‘Belgian iron shall no longer enter France.’ Immediately I raise my price five francs, and see the consequences.

“For every cwt. of iron that I shall sell to the public, instead of receiving ten francs, I shall receive fifteen; I shall become rich all the sooner; I will enlarge my works, I will employ more workmen. My workmen and I will expend more, to the great advan-

tage of all who supply us for many leagues round. These, too, having a greater demand for their products, will give greater employment to industry, and by degrees activity will be diffused through the whole country. This blessed five franc piece which you will drop into my pocket will, like a stone thrown into a lake, spread to a distance an infinite number of concentric circles."

Charmed by this discourse, enchanted to learn that it was so easy by legislation to increase the wealth of a nation, the fabricators of laws voted for protection. Why speak of labour and economy? they said. What avail those toilsome means of augmenting the national riches when an Act of Parliament suffices?\*

And, in fact, the law had all the consequences announced by Mr. Prohibitor; only it had others also, for, to do him justice, he had made not a *false* reasoning, but an *incomplete* reasoning. In demanding a privilege, he had pointed out the effects *which are seen*, leaving in the shade those *which are not seen*. It is for us to repair this defect of observation, involuntary or designed.

The five francs thus directed by legislation into the pocket of Mr. Prohibitor undoubtedly constitute an advantage for him and for those whose labour he

\* For reasons which it would require long explanation to render intelligible, the translator has thought it right to depart considerably from the original in the rest of this chapter. While he regards the change he has ventured to make as due at once to the subject, and to the author himself (whose other works are the best comment upon this), it seems due to the reader that this intimation should be made.

employs. And if the new law had brought that five francs down from the moon, these good effects would not have been counterbalanced by any compensating bad effects. Unhappily, it is not from the moon that the mysterious five-franc piece proceeds, but in truth from the pockets of a smith, a nailer, a cartwright, a farrier, a labourer, a builder, in a word, from the pocket of Jacques Bonhomme himself, who has to pay fifteen francs for exactly the same quantity of iron for which he used to pay ten francs. At the first glance, it must be perceived that the question is thus greatly changed, for, very clearly, the profit of Mr. Prohibitor is compensated by the loss of Jacques Bonhomme, and all that Mr. Prohibitor will be able to do with those five francs for the encouragement of national industry, Jacques Bonhomme would have done himself. He could have thrown the stone into the lake just as well as Mr. Prohibitor, and there would have been just as many concentric circles.

Let us first see what the position was before the issuing of the supposed law. Jacques Bonhomme is possessed of 15 francs, the reward of his labour. What does he do with these 15 francs? Mr. Prohibitor being obliged by Belgian competition to sell his iron at ten francs, Jacques Bonhomme buys from him a cwt. of iron for that sum, and still retains five francs. He does not throw them away, but (*and this is what is not seen*) he transfers them to some branch of industry in exchange for some enjoyment—for example, to a bookseller, for “Bossuet’s Discourse on Universal History.” Thus the national industry is encouraged to the full extent of 15 francs,



namely, 10 francs which go to the iron-master and 5 francs which go to the bookseller. In addition, Jacques Bonhomme obtains for his 15 francs two objects of satisfaction, namely, first, a cwt. of iron, and second, a book.

But it will be said:—"You assume that Jacques Bonhomme buys the iron from Mr. Prohibitor. Were he, however, to buy the Belgian iron, would not the French national industry lose precisely what the Belgian national industry gained?" The answer is easy:—"Not so; the Belgian will not give his iron for nothing (though if he did, would that be a calamity for Frenchmen who wanted the iron?) He demands an equivalent. What is that equivalent to be? All exchange is of commodity against commodity. Thus, either directly in the form of French goods, or indirectly in the form of money, which has been obtained, as only it can, by the previous sale of French goods, the Belgian receives in exchange for his iron, precisely as does Mr. Prohibitor, some product of French industry. In the one case, as in the other, the national industry is equally encouraged."

Next, suppose that the law has been passed. What, then, is the condition of Jacques Bonhomme? What is that of the national industry? Jacques Bonhomme, who pays his fifteen francs to Mr. Prohibitor in exchange for a cwt. of iron, has no more than the enjoyment of that cwt. of iron. He loses five francs. Who gains them? Certainly not the national industry. For, after the law, as before, the national industry can *at most* (with a reserve to be yet made)

be encouraged only to the extent of fifteen francs—five of which, in the one case, are employed by Jacques Bonhomme for his own satisfaction, and in the other, transferred to Mr. Prohibitor for his. It is Mr. Prohibitor who alone gains the five francs that Jacques Bonhomme loses.

Thus *what is not seen* at least balances *what is seen*; only there remains, as residue of the operation, an injustice—and, alas! an injustice perpetrated by the law.

But this is not all. A multitude of preventive officers must be maintained, not in any useful, or even harmless employment, but for the sole purpose of forbidding the passage of Belgian iron across the French frontier. Even if the cost were borne by Mr. Prohibitor, for whose sole advantage the exclusion is enforced, this would be a loss. The cost, however, is borne, not by Mr. Prohibitor, but by the community, who thus (in addition to the loss of the industry of all these officers) suffer doubly: first, in the enhanced price of iron; second, in the taxes levied in order to enforce this very enhancement. There is a twofold injustice, and to Jacques Bonhomme a twofold loss. And even if his first loss, caused by the advanced price of iron, were exactly compensated (waiving the question of injustice) by the increased gain of Mr. Prohibitor—the second, at least, is pure, uncompensated loss to Jacques Bonhomme and to the whole French nation. This again is *what is not seen*, though surely it is important that it should be seen. And, be it once for all observed, that what is true of absolute *prohibition*, is true, *in degree*, of

*protection* in every form, however modified, and under whatever plausible name it may assume.

The violence which Mr. Prohibitor himself employs at the frontier, or which he causes the law to employ for him, may be judged very differently in its moral aspect. There are persons who think that spoliation loses all its immorality provided it be legal. For my part, I can imagine no circumstance of greater aggravation. But, however that may be, certain it is that the economic results are always bad. Turn the matter over how you will, but look keenly, steadily, and you will see that no good issues from spoliation, legal or illegal. To use violence is not to produce, it is to destroy. Alas! if violence were production, this France of ours would be much richer than she is!

## CHAPTER VII.

## MACHINERY.

“CURSE on machines! every year their power, continually progressive, consigns to pauperism millions of workmen, by depriving them of work, consequently of wages, consequently of bread! Curse on machines!”

This is the cry raised by vulgar prejudice.

But to curse machines, is to curse the intelligence of man! I am amazed that any man should be found to hold such a doctrine.

For, were it true, what is its inevitable consequence? That activity, well-being, riches, happiness, are possible only among nations stupid, mentally torpid, to whom God has not given the fatal gift of thought, of observation, of combination, of invention, so as to obtain the greatest results with the smallest means. On the other hand, rags, miserable hovels, poverty, famine, are the inevitable portion of every nation which seeks and finds, in iron, in fire, in wind, in electricity, in magnetism, the laws of chemistry and of mechanics—in a word, which finds in the forces of nature a supplement to its own force.

This is not all: if this doctrine is true—as all men think and invent—as all, in fact, from the first to the

last, and at every moment of their existence, seek to gain the co-operation of nature's forces, to make more with less, to reduce their own manual labour, or that of others for which they pay, to attain the greatest possible sum of satisfaction with the least possible sum of toil—it must be concluded that humanity at large is drawn towards its decline precisely by that intelligent aspiration towards progress which impels each of its members.

Hence we ought to find the inhabitants of Lancashire flying from that land of machinery to seek work in Ireland, where machinery is less used.

There is, evidently, in this mass of contradictions something which shocks and warns us that the problem contains some element of solution not yet sufficiently evolved.

The whole mystery is in this: behind *what is seen* lies *what is not seen*. I will endeavour to bring it to the light. My demonstration can be only a repetition of the foregoing, for the problem is virtually the same.

It is an inclination natural to all men, if they are not hindered by violence, to seek cheapness\*—that is to say, what with equal satisfaction saves them labour—whether that cheapness comes from a skilful *foreign producer*, or from a skilful *mechanical producer*.

\* Bastiat has remarked in another of his works that the word *cheapness* has no precise equivalent in French. Its substitute is *bon marché*, *i.e.* good market. A cheap market is, consequently, a good market, *i.e.* for the buyers; but that means the whole community; for if *each man* sells *one* sort of article, and is so far interested in *its* dearness, *all men*

The theoretic objection brought against this tendency is the same in the two cases. In one case as in the other, it is reproached with having reduced so many labourers to idleness. Now, to render labour not *inactive*, but free and at *disposal*, is precisely the scope and result of this inclination. Hence, in both cases also, it is opposed by the same practical obstacle—violence. The legislator prohibits foreign competition, and discourages mechanical competition. For what other means can there be to arrest an inclination natural to all men but to deprive them of their liberty?

In many countries, it is true, the legislator strikes with the arm of law only one of those two sorts of competition, and contents himself with lamenting the other. But this only proves that in those countries the legislator is inconsistent.

This need not surprise us. In a wrong course, men are always inconsistent; otherwise humanity

buy *many* sorts of articles, as many as possible, and are consequently interested in *their* cheapness. The praise of dearness, in which protectionists are insane or impudent enough to indulge, is thus in contradiction to universal experience and conviction, as expressed in the very structure of one of the richest and most refined languages in the world. But Bastiat was not aware that the English *cheap* is only an abbreviated form of the same circumlocution as the French *bon marché*. *Cheap*—(*chap*-man; *chop*, *i.e.*, exchange; Ger. *kauffen*; Scot. *coff*; Fr. *a-cher*-ter (acheter), *Cheap*-side, etc., etc.,) means only *purchase*, and the full phrase is *good-cheap*, which is still retained as a proper name. In process of time the adjective has been dropped, the noun having absorbed its meaning into its own.—*Translator*, 1852.

would perish. Never have we seen, and never shall we see, a false principle pushed to its full length. I have elsewhere said: Inconsistency is the limit of absurdity. I might have added: It is at the same time its proof.

Let us come to our demonstration; it shall not be long. Jacques Bonhomme had two francs, which he paid to two workmen whom he employed.

But he one day devises an arrangement of cords and weights, which abridges the labour by half.

He then obtains the same satisfaction as before, saves a franc, and discharges a workman.

He discharges a workman; *this is what is seen.*

And men seeing only that, exclaim: "See how misery follows civilisation, see how fatal liberty is to equality! The human mind has made a conquest, and immediately a workman falls for ever into the gulf of pauperism. It may be, however, that Jacques Bonhomme will continue to employ the two workmen, but he will not give them more than half a franc each, for they will compete with each other, and offer their labour on lower terms. It is thus that the rich become always richer, and the poor always poorer. Society must be re-constructed."

Admirable conclusion, and worthy of the premises.

Happily, premises and conclusion are both false because behind the half of the phenomenon *which is seen*, there is the other half *which is not seen.*

People do not see the franc saved by Jacques Bonhomme, and the necessary effects of that saving.

Since, in consequence of his invention, Jacques Bonhomme spends now only one franc on manual

labour, in the pursuit of a given satisfaction, another franc is left to him.

If then, there is in the world a workman who offers his hands unemployed, there is also in the world a capitalist who offers his franc unemployed. These two elements meet and combine.

And it is clear as day that between the offer and the demand of labour, between the offer and the demand of wages, the relation is nowise changed.

The invention, and one workman, paid with the first franc, now do the work which formerly two workmen accomplished.

The second workman, paid with the second franc, accomplishes a new work.

What, then, is there changed in the world? There is a national satisfaction the more; in other terms, the invention is a gratuitous conquest, a gratuitous profit for humanity.

From the form which I have given to my demonstration, some might draw this consequence: "It is the capitalist who receives all the advantage of machines. The class who live by wages, even if their loss by the introduction of machinery is only momentary, never profit by it, since, according to your own statement, machines *displace* a portion of national labour without diminishing the total, but also without increasing it."

It does not enter into the plan of this little work to solve all objections. Its sole aim is to combat a vulgar prejudice, very dangerous, and very widely spread. I wished to prove that a new machine places at disposal a certain number of hands, only by plac-



ing also and *irresistibly* at disposal the remuneration which pays them. Those hands and that remuneration combine to produce what it was impossible to produce before the invention; whence it follows, that the *machine gives as its definitive result an increase of satisfaction, with an equal amount of labour.*

Who obtains this surplus of satisfaction? Yes, it is at first the capitalist, the inventor, who successfully employs the machine, and it is the reward of his genius and his boldness. In this case, as we have seen, he realises on the cost of production a saving, which, in whatever way it may be expended (and expended it always is), employs just as many hands as the machine has set free.

But soon competition forces him to lower the price of the article he sells in the proportion of that very saving.

And then it is no longer the inventor who receives the benefit of the invention; it is the purchaser of the product, the consumer, the public, including the workmen—in a word, it is humanity.

And *what is not seen is*, that the saving, thus gained for all the consumers, enables them to give employment to other labour to the full extent to which the machine has displaced labour in the particular industry concerned.

Thus, returning to the previous example: Jacques Bonhomme obtains a product by spending two francs in wages. Thanks to his invention, manual labour costs him now only one franc. So long as he sells the product at the same price, there is a workman the fewer employed in making that special product—

*that is what is seen*; but there is a workman the more employed by the franc which Jacques Bonhomme has saved—*that is what is not seen*.

When, by the natural course of things, Jacques Bonhomme is compelled to lower by a franc the price of the product, then he no longer realises a saving—then he no longer disposes of a franc to obtain from the national labour a new production. But, in this respect, his customer is put in his place, and that customer is humanity. Whoever buys the product pays for it a franc the less, saves a franc, and can therefore afford to buy something else, or to lend his franc to some other person who wants to buy some other thing. *This, again, is what is not seen*.

Thus all industries are indissolubly allied. They form a vast whole, of which all the parts communicate by secret channels. An economy effected on one is profitable to all. The grand result is, let it be well understood, that never is this economy effected at the cost of labour and of wages.

## CHAPTER VIII.

## STATE CREDIT.

AT all times, but especially of late years, the notion has prevailed of rendering riches universal by making credit universal.

I do not think that I exaggerate when I say, that since the revolution of February (1848) the Parisian press has sent forth more than ten thousand pamphlets proclaiming this solution of the *social problem*.

This solution, alas! is based on a mere optical illusion, if, indeed, an illusion can be called a base.

At the outset, coined money is confounded with commodities, then paper money is confounded with coined money, and out of this twofold confusion a reality is pretended to be evolved.

It is absolutely necessary, in this question, to forget money, gold, silver, or paper, bank bills, and all the other instruments, by means of which commodities pass from hand to hand, in order to see only the products themselves, which are the veritable subject matter of all loans.

For, when a labourer borrows 50 francs to buy a plough, it is not in reality 50 francs that are lent to him, it is the plough.

And when a merchant borrows 20,000 francs to buy a house, it is not 20,000 francs that he owes, it is the house.

The money in these cases serves only to facilitate arrangements among the several parties.

Peter may not be disposed to lend his plough, and James may be disposed to lend his money. What, then, does William do? He borrows the money from James, and with this money he buys Peter's plough.

But, in truth, no one borrows money for money's sake. Money is borrowed with a view to obtain commodities.

Now, in no country can more commodities be transmitted from hand to hand than that country possesses.

Whatever be the amount of metal or of paper money in circulation, the whole number of borrowers cannot receive more ploughs, houses, utensils, provisions, raw materials, than the whole number of lenders can supply.

For, let us hold firm by this obvious principle, that every borrower supposes a lender, and that every act of borrowing implies a loan.

This point fixed, what good can institutions of credit effect? They can facilitate, for borrowers and lenders, the means of finding each other, and coming to agreement. But what they cannot do is to increase instantaneously the mass of objects borrowed and lent.

To effect the wishes of our *reformers*, however, it would be necessary for them to have this power—since they aim at nothing less than to place ploughs,

houses, utensils, provisions, raw materials, in the hands of all who desire them.

And for this purpose, what is their device?

To give to loans the guarantee of the State.

Let us sound the depths of this question, for there is in it something *which is seen*, and something also *which is not seen*. Let us try to see both.

Suppose that there is only one plough in the world, and that two labourers try to obtain it.

Peter possesses the only plough in France at disposal. John and James wish to borrow it. John, by his honesty, by his good conduct, and good character, offers guarantees. He *is trusted*, he has *credit*. James does not inspire confidence, or he inspires less. Naturally it happens that Peter lends his plough to John.

But suppose the State interferes and says to Peter, "Lend your plough to James, and I will guarantee your being paid; and this guarantee is worth more than that of John, for he has only his own means to answer to his engagements, while I (though I have nothing of my own, it is true) dispose of the means of all the taxpayers; and it is with their money that, in case of need, I will pay you principal and interest."

In consequence, Peter lends his plough to James: *this is what is seen*.

And the socialists rub their hands and say, "See how our plan has succeeded! Thanks to the intervention of the State, poor James has a plough. He will be no longer obliged to dig the ground; he is now on the road to fortune. It is a good thing for

him, and a profit for the nation, taken in the mass."

Alas, no! gentlemen, it is not a profit for the nation, for here comes *what is not seen*.

*It is not seen* that the plough is in the hands of James only because it is not in the hands of John. *It is not seen* that if James ploughs instead of digging, John will be obliged to dig instead of ploughing; and that, consequently, what was considered as an *increase* of loan is in truth only a *displacement* of loan.

Besides, *it is not seen* that this displacement involves a serious twofold injustice. Injustice towards John, who sees himself deprived of the *credit* which he had merited and acquired by his honesty and industry. Injustice towards the ratepayers, who are made liable to pay a debt which concerns them not.

Will it be said that the government offers to John the same facilities as to James? But, since there is only one plough at disposal, two cannot be lent. The argument always returns to the implied assertion that, thanks to the intervention of the State, there will be more borrowings than there can be lendings, for the plough here represents the mass of capitals at disposal.

I have reduced, it is true, the operation to its simplest expression; but try, by the same touchstone, the most complicated institutions of credit that a government can devise, and you will be convinced that they can have this result only—to *displace* credit, not to *increase* it. In a given country, and at a given time, there is only a certain sum of avail-

able capital, and it all finds employment for itself. By guaranteeing men who are of themselves insolvent, the State may, indeed, increase the number of those who seek to borrow, and may thus raise the rate of interest (always to the injury of the taxpayer), but what it cannot do is to increase the number of lenders, and the total amount of loans.

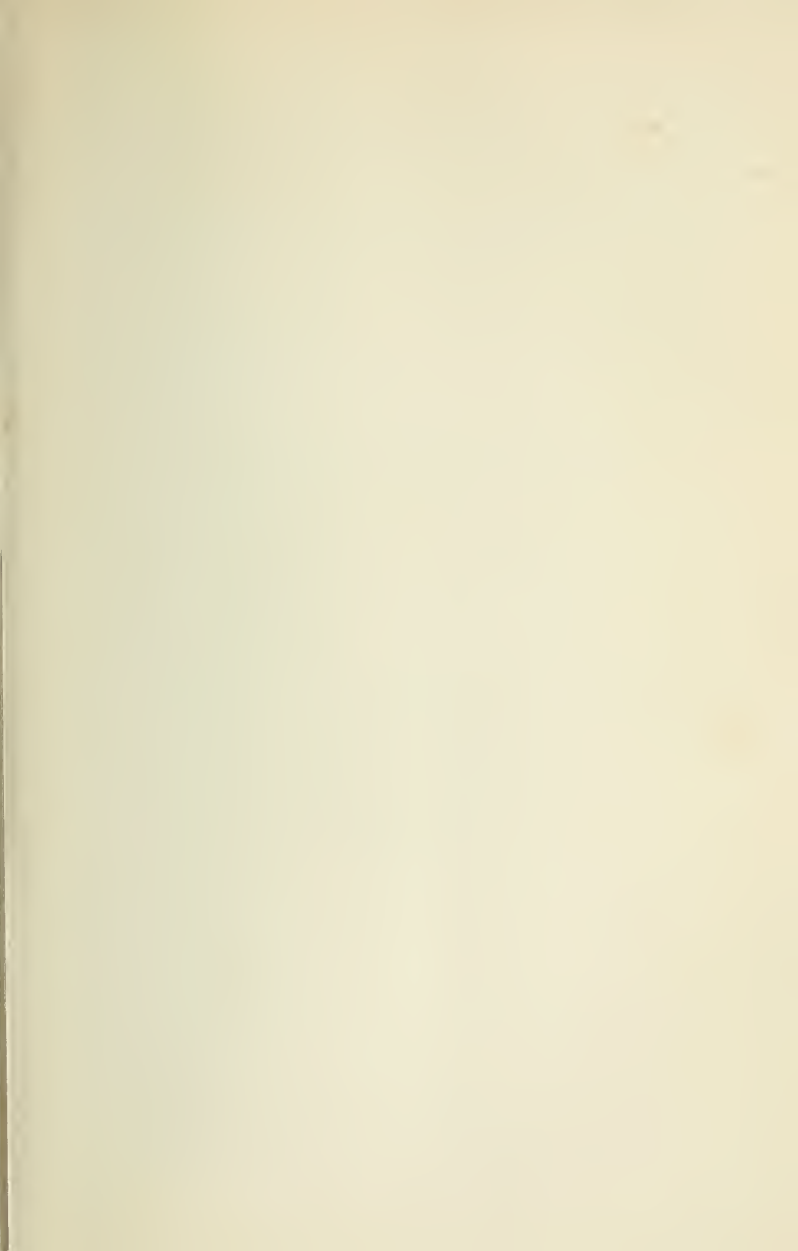
The same consideration applies as already pointed out in a previous chapter, to direct expenditure by the State. If, for example, fifty millions are expended by the State they cannot be expended by the individual taxpayer, as otherwise they would have been. From all the good attributed to the public expenditure effected, must then be deducted all the evil of private expenditure prevented; unless, indeed, it be said that Jacques Bonhomme would have made no use of the five-franc pieces he had earned, and of which the State robs him; an absurd assertion, for he would not have taken the trouble to earn them, had he not hoped for the satisfaction of employing them. He would have repaired the fence of his garden, and he can no longer do so; *this is what is not seen*. He would have spread his field with marl, and he can no longer do so; *this is what is not seen*. He would have added a story to his cottage, and he can do so no longer; *this is what is not seen*. He would have increased his stock of implements; he can do so no longer; *this is what is not seen*. He would have fed himself better, clothed himself better, obtained better instruction for his son; he would have added to his daughter's dowry, and none of these things is he now able to do;

*this is what is not seen.* He would have joined a mutual benefit society; he can no longer do so; *this is what is not seen.* These are the enjoyments which are taken from him. In addition, the gardener, the carpenter, the smith, the tailor, the village schoolmaster, whose labour he would have encouraged, have all suffered an injury—*this is still what is not seen.*

The only object which I have in view is to make the reader understand, that in all public expenditure, and in all employment of State credit behind the apparent good there is an evil more difficult to discern. So far as in me lies, I would accustom him to see the one as well as the other, and to take both into account.

FINIS.







# SENTIMENT THE BOND OF EMPIRE

BY

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## SENTIMENT THE BOND OF EMPIRE.

THE British Empire, we are told, "extends over some 16,000,000 of square miles, or about one quarter of the habitable territory of the world."\* But besides this geographical expression, have we a conception of what an Empire is, and by what bond it is held together?

"Roman in its origin, the word 'Empire' has retained more than a flavour of association from its original use,"† and probably in the minds of most of us the word Empire would raise the notion of a political system such as Tiberius elaborated: so far resembling the British Empire of to-day that it comprised a heterogeneous mass of races with considerable difficulty of communication between the centre and the outside, and that it allowed great latitude to the Provinces in the management of their affairs.

The things Tiberius required from the Provinces were men and money; for the rest, so long as peace was not broken, he allowed each country to maintain its own laws, language, religion, and customs. But the bond which held the whole together was his own autocratic will.

Not only in the Imperial, but also in the Senatorial Provinces, he took over the responsibilities of governing. His agents were the supreme umpires, and though they did not usually concern themselves with the details of administration, the Emperor could set them in motion whenever he chose, and in particular he could always

\* *The Empire and the Century*, p. 817.

† *Ibid.*, p. 6.

require from them contributions of military force and revenue, "man power and money power."

In the German Empire, again, though organised on a more democratic model, the task of providing "man power and money power" was, by the Federal Constitution of 1871, left in the hands of a central authority. By the Constitution it is enacted that every German capable of bearing arms shall belong to the army for seven years, and that the army shall be under the command of the Emperor (Arts. 59-62). While the costs and burdens of the military system are to be borne equally by all the Federal States (Art. 57), the Empire—that is to say, the Federal Council and the Diet—has power to legislate concerning Customs and other revenues (Art. 38) which go to the Treasury of the Empire, with the right to assess the several States to make up a deficiency, the assessment being fixed by the Chancellor (Art. 70).

The Empires of Tiberius and the Kaiser Wilhelm have, therefore, this much in common, that in each there is a central authority independent of local legislatures, having under its control the offensive and defensive force of the system and empowered to raise revenue throughout the whole area for military purposes. Perhaps it would be going too far to say that without such a central authority no political organisation can properly claim the title of Empire, but it is clear that such an authority is keenly desired by the modern friends of Empire, and that some of the ablest Imperialists fear that without it our Imperial system must end in failure. Mr. Garvin has argued that the burden of maintaining the British system has become so great that it will soon be beyond the power of the Mother Country to sustain. He points to rivals who are rapidly increasing in strength, and warns us that in population and wealth they will soon surpass Great Britain if she stand alone. For the future "man power

and money power " must be called forth throughout our Dominions in greater abundance if the British Empire is to be maintained, and for this purpose some central authority must be devised in whose hands this power may be placed. How is this to be brought to pass? To co-ordinate the whole of the military powers of the King's dominions throughout the world may be a dream of Empire, but, unless it is to remain a dream, a political union between the component parts must first be effected.

The object of the empire-builder being the concentration of man power and money power for military purposes, and political union or federation being a condition precedent to this end, what steps are we to take to bring the condition to fulfilment?

There is only one course to be taken, say writers of the school of Mr. Garvin. Make a commercial union with the self-governing Colonies, and the rest will follow. The Colonies are said to be willing to approach Federation on the commercial side. Since they will not federate with us on our terms, we must federate on theirs, for the union of commercial interests may safely be trusted to develop the necessary financial and military organisation for the protection of their interests, while Sir Wilfrid Laurier is quoted to show that commercial union must precede political union.

Sea power, it is said, is a question of finance. The financial strength can only be obtained through commercial union. Commercial union will precede political federation, and by these steps we shall at last attain to a true Empire, where the military force—the man power and money power of the whole—will be wielded by one central organisation.

But the assumption that a commercial union will lead to a political union upon which this reasoning rests, does not seem to be warranted by history. Friedrich List, at

any rate, categorically denies it. "All examples which history can show are those in which the political union has led the way and the commercial union has followed. Not a single instance can be adduced in which the latter has taken the lead and the former has grown up from it."\* It is usual to cite, in contradiction to this, the case of the German Empire. Even the translator and editor of List's book says in a footnote, "This statement was probably correct up to the period when List wrote, but a notable exception to it may now be adduced. . The commercial union of the various German States under the Zollverein preceded by many years their political union under the Empire." List published the first edition of his book in 1841. No one knew more about the Zollverein than he. He sat by its cradle in 1819, when the meeting of merchants was held at Frankfort with the object of establishing a common trade or custom house system for the whole of Germany. He was appointed "Assessor," or President, and by the time his book was published he was able to write: "At this present time, with the exception of Austria, the two Mecklenburgs, Hanover, and the Hanse towns, the whole of Germany is associated in a single Customs union."† How far is this consistent with his theory that commercial union follows, instead of preceding, political union? Though the Empire was not perfected till 1871, has there not been in Germany a continuous movement towards political union which justifies List's doctrine that the political union takes the lead and the commercial union grows out of it?

At the beginning of the nineteenth century the national feeling in Germany was weak. "Disgusted by the pettiness of German life amidst the narrow bonds of feudal domains,"‡ the writers at the close of the eighteenth

\* *National System of Political Economy*, 1841 (Lloyd), p. 126.

† P. 89.

‡ Rose, *Napoleonic Studies*, p. 24.



century, "inspired by the golden visions that the Encyclopedists opened up, hailed the French Revolution, and even the absorption of German lands by France, as a giant step forward towards the Millennium." Schiller spoke of patriotism as "chiefly of importance for unripe nations,"\* while Fichte "sought to persuade his hearers to fix their gaze on a larger and grander entity than their native land."† But the cruel experience of the Napoleonic War gave birth to different ideas. Though in 1806 the Emperor Francis I. resigned the crown of the Holy Roman Empire of the German nation, and declared the office and dignity of the German Emperor to have come to an end, we find in 1808 that the ideas of the unity of the German people and fatherland under constitutional rule were being preached with effect, and though their growth was hindered by rulers of the smaller States, they never ceased to gain strength till they found their ultimate expression in the Empire of 1871. In the sixth Article of the Peace of Paris (May, 1814) it was declared "that the States of Germany should be independent and united by a federative bond." At the Congress of Vienna the German Federal Pact of June 8, 1815, was established. In 1848 an attempt was made to convert the German Confederation into a German Federal State, but was unsuccessful. The Federal Assembly in this year ordered the elections of members of the "German National Assembly." But **the constitution** promulgated by this body could not go into effect because the King of Prussia, who had been chosen by it to be hereditary Emperor, refused to accept the dignity. The attempt then made to form a German Federal State by agreement was also unsuccessful, and ended in the resuscitation of the old Federal Assembly and Confederate Constitution of 1815. But the desire for

\* Rose, *Napoleonic Studies*, p. 25.

† *Ibid.*, p. 26.

closer political union among the people never waned. Travellers through Germany fifty years ago will recollect how it was the common talk of the middle classes, and how it was fostered by popular songs and popular gatherings. After the victory of Prussia in 1866 a further step was taken. The German Confederation was dissolved, and a reconstruction of Germany was agreed to, based upon the exclusion of Austria, and the "North German Confederation" was formed, under the headship of the King of Prussia, of the States north of the Main, with a Parliament based on the laws of the German National Assembly of 1849. The final step soon followed, and the Empire of Germany, formed after the Franco-German War, was joined by the South German States.

Thus throughout the whole time the Zollverein was in course of formation the desire of political unity was working strongly among the German people and finding its expression in one form of confederation or another, turning now to Austria and now to Prussia as the centre round which to coalesce. List, the father of the Zollverein, was unpopular with the smaller German potentates, for the reason that it was political unity he sought. His book, "The National System of Political Economy," owed its wide-reaching success "partly to its fervid patriotism and its appeal to that growing desire for national unity which animated the vast majority of the German people. It is less an economic argument than a great political appeal."\* He was the "hero of revolution" who sought the aggrandisement of his nation and saw that through political union must come the sweeping away of the internal barriers which impeded her material progress. He looked for "the adoption of a universal German flag, the founding of Colonies abroad, and national supervision of emigration." "The power

\* Ashley, *Modern Tariff History*, p. 65.

of a nation," he taught, "depends on its possession of a manufacturing power of its own," and this could only be obtained by internal unity and freedom of intercourse. In the Zollverein the German nation obtained an "attribute" of nationality.\* "The German Customs Union is an incarnation of the idea of national unity," but it is the political union which is the incarnating spirit.

The same connection between commercial and political union may be traced in America. When the outbreak at Lexington had been followed by the Declaration of Independence in 1776, "Articles of Confederation" were framed for the purpose of joint action. But they merely constituted a league of friendship, and left all power to the individual States, except what was expressly delegated to Congress. In the ten years which followed, a contest arose between those who favoured particularism and those who desired the political unity of all the States. For a time the particularists carried the day in several States, and this showed itself immediately in the adoption or preparation in these States of systems of protection of domestic productions and manufactures aimed at preventing competition by neighbouring States.† When, however, the party of union gained the victory, and the Convention of 1787 made the political unity of the nation sure, the commercial unity immediately followed, and the first Article of the United States Constitution of 1789 gave to the National Government power to regulate both foreign and inter-State commerce, and thus complete political union resulted in complete commercial union.

The long struggle as to whether Germany should form her political union round the centre of Prussia or Austria ended in favour of Prussia, and Austria is excluded from the Zollverein. New Zealand might have

\* *Nat. System of Political Economy*, pp. 177-199.

† *Ency. Brit.*, 23, 745.

been included in the Customs Union of Australia, but she wished to retain her political independence, and therefore renounced commercial unity. The Customs and Trade Alliance made forty years ago between Austria and Hungary has not led to political unity: on the other hand, the increase of particularism among the Magyars shows itself at the present time by the demand for the recognition of their country as economically independent of Austria.

If, then, commercial union is a condition precedent to the organisation of "man power and money power" for the defence of the Empire, and if List is right in saying that political union, or at least an ardent desire for political union, must precede commercial union, if a tendency towards political independence shows itself by renouncing commercial union with other communities, what are the prospects of forming an Imperial organisation which, according to this reasoning, must have its roots in the political union of Great Britain and the self-governing Colonies? Mr. Richard Jebb, in his article on "Imperial Organisation,"\* passing in review the terms "Federation," "Confederation," and "Alliance," finds that alliance covers the existing Imperial connection between the autonomous democracies of the Empire at least as well as any other term. "The essential point," he says, about the existing position is "the fact of independent executives exercising powers which make the actual relationship more like mere alliance than anything else, despite the common Crown." Nor can he detect "the slightest indication, either here or beyond the seas, of any widespread disposition to surrender any part of that independence. On the contrary, there seems to be a pronounced and popular tendency in the opposite direction," and he notes that both in Canada and Australia

\* *The Empire and the Century*, p. 332.

since federation the term "national" has acquired a local federal use, "superseding the old habit of applying it to the single stock of which the headquarters was in these islands." "To the true Imperialist," says Mr. Amery, "Canada and South Africa are in every sense as real and essential parts of his country as Scotland, Wales, or Kent,"\* but to the true Canadian Kent is not as essential as Quebec. No one who watches colonial affairs can have any doubt that each of the great Colonies has its own aspirations, which lead it rather away from than towards closer political union with the Mother Country. "If the native Canadian has any political ambition, it is that Canada shall some day become an independent nation," says a Canadian writer in the *Fortnightly Review* of December, 1906. The aspiration of Australia is to become a great power controlling the South Pacific. The desire of the Africander is towards an independent African commonwealth. It is because they mean each to be a nation that these Colonies are prepared to resent with passionate earnestness any movement on the part of the Mother Country which jealous sensitiveness may construe as interference, and for the same reason they are content to endure a burdensome fiscal policy; for they hold with List "that the power of a nation depends on its possession of a manufacturing power of its own," and nations they intend to become.

"A nation in its normal state possesses one common language and literature, a territory endowed with manifold natural resources, extensive, and with convenient frontiers and a numerous population. Agriculture, manufactures, commerce, and navigation must all be developed in it proportionately: arts and sciences, educational establishments and universal cultivation must stand in it on an equal footing with material production. Its constitution,

\* *The Empire and the Century*, p. 182.

laws, and institutions must afford to those who belong to it a high degree of security and liberty, and must promote religion, morality, and prosperity: in a word, must have the well-being of its citizens as its object. It must possess sufficient power on land or on sea to defend its independence and to protect its foreign commerce.”\* In this description of a nation we may perhaps see indicated the difficulties in the way of organising the British Empire as a whole, as well as the hope of solution. There is no attribute of independent nationality enumerated which our great Colonies do not look to attain. At the same time, there are motives indicated which may tend to keep them in communion with the Mother Country. One of these undoubtedly, at the present moment, is the requirement that the Colony, to become a nation, “must possess sufficient power on land and at sea to defend its independence.” It is, of course, self-evident that at the present time none of the three great Colonies possess such power, and that, so far as it is needed, they must depend on the Mother Country. But this requirement does not apply with equal force to each. In the case of Canada we are told that the military force required to hold the Colony against their neighbours “cannot be computed at less than 500,000 men.”† The Canadians themselves, however, are not greatly disturbed by this consideration. They hold that a war of aggression on them by the United States is simply unthinkable. For the rest, they are protected from attack from outside by the Monroe doctrine, while if they were involved by Great Britain in a naval war they would register their ships under the American flag. They have, therefore, no fear of war, while they detest militarism, and will not contribute anything in support of it.

\* List, *National System of Political Economy*, p. 175.

† *The Empire and the Century*, p. 231.

With Australasia the matter is different. There is a story that in the middle of the last century the English Government were asked by the French "how much" of Australia they claimed. Lord John Russell replied, "The whole." It is manifest that such a reply would not have been accepted from the Colony alone. Nor can we be surprised if even at the present time foreign newspapers are found to complain of the unreasonableness of a small and almost stationary community claiming a vast area which they cannot occupy. If the case were reversed, and a foreign nation held the Colonies, it would not be difficult to imagine a portion of the London Press expatiating on the iniquity and immorality of such a claim as being contrary to the best interests of the human race. The German nation is not likely to disregard the doctrine of Fried. List, and he is eloquent against the idea that the title to an entire quarter of the globe should "vest in a man who first erected somewhere on the earth a pole adorned with a piece of silk,"\* and lays it down that "when a question arises as to islands which are as large as a great European kingdom (like New Zealand), or respecting a continent which is larger than the whole of Europe (like Australia), in such a case by nothing less than an actual occupation by colonisation, and then only for the actually colonised territory, can a claim to exclusive possession be admitted consistently with common sense," and, looking to the future, he recommends that "Prussia should now (A.D. 1841) make a commencement by the adoption of a German commercial flag and by laying the foundation for a future German fleet; and that she should try whether and how German colonies can be founded in Australia, New Zealand, or in or on other islands of Australasia."†

\* *National System of Political Economy*, p. 421.

† *Ibid.*, p. 434.

In the case of South Africa the help of the Mother Country may be called for not only to keep out intruders, but, as in the past, to sustain the Colonies in a struggle with the native races, so that the need of protection has a double source. A colonial newspaper may point to the fact that it required a quarter of a million of troops to conquer the Boers, and ask what number would be needed to subdue even Natal. But if England were out of the way it would be no very difficult operation for a strong naval power to seize Cape Town or Durban, and, putting forward the doctrine of effective occupation as the only title to colonisation, extort a treaty giving it a footing on the land.

It was the fear of falling under foreign rule which bound the Colonies to the Mother Country in the seventeenth and eighteenth centuries. Bad and oppressive as our colonial system was in commercial matters, the Colonies at least enjoyed freedom and self-government in their homes, and they endured much because they knew that if they threw off the English connection they would fall into the hands of France or Spain. As soon as this fear was removed they cut themselves adrift. When Canada was conquered by the English the independence of America was assured: "the tea duty merely afforded an opportunity for the outbreak of the revolution."\*

But though the connection with the Mother Country is of vital importance to Australasia and South Africa, at any rate while they are in process of growing into nations, the necessity will cease when the growth is complete. What will be the outlook for the Empire then? Will it fall to pieces as writers of the middle of the last century supposed? List, who is never wanting in confidence, has no doubt about it. After reaching a certain point of

\* *National System of Political Economy*, p. 95.



manufacturing power, "Canada will also secede," he says, and "independent agricultural, manufacturing, commercial States will also arise in Australia."\* But in the description of a nation quoted above he has indicated causes which may hold the Empire together in spite of independent agricultural, manufacturing, and commercial systems. He speaks of common language and literature as bonds of union, but there is much besides; there is the common faith and common social, political, and spiritual ideas: everything that is summed up in the word "sentiment"—that is, pure feeling divorced from hope of material gain. The Imperialists are really idealists, and what they wish to maintain through the power of the Empire is the domination of the British ideal in politics, society, and religion. Devotion to this ideal is the lasting bond of Empire, and such devotion is to be called forth not by commercial arrangements or by fettering the free action of our Colonies or ourselves, but by leaving to each party the utmost freedom to work out their future as they think best. "Hellenism," says Dr. Allin, "is a type of thought—it is a certain *ethos* which has its roots in the past, and is anchored there, which reflects and sums up national character and instincts of race."† The same may be said of Anglo-Saxonism, and it is upon attachment to this ideal that the Empire must be based. But the growth of the attachment is founded on freedom. It was choked by restrictions in the past, and has only grown to a real force in the last fifty years. One great thinker saw this one hundred and thirty years ago. Adam Smith, writing when the relations with the Colonies were strained to the utmost, found among the ancient Greeks the example of true colonial policy. Deliver the Colonies from the "mean and malignant

\* *National System of Political Economy*, p. 270.

† *Race and Religion*, p. 25.

expedients of the mercantile system," give them liberty to manage their own affairs their own way, was his advice. If Great Britain could bring herself to give them perfect autonomy, it might dispose them "to favour us in war as well as in trade, and instead of turbulent and factious subjects to become our most faithful, affectionate, and generous allies."\* A writer who in the crisis of the American revolution could look forward to the Colonies coming voluntarily to our aid in war in return for the gift of freedom was more than a century in advance of his age. Adam Smith, however, is cited in "The Empire and the Century" as being in favour of a federated Empire upon a protectionist basis in contrast to Cobden, who, it is said, hoped that Free Trade would be a solvent of Empire.† This seems scarcely fair to either. Adam Smith has devoted three chapters of "The Wealth of Nations" to the colonial question. He finds the true model in Greece, where "the colony settled its own form of Government, enacted its own laws, elected its own magistrates, and made peace or war as an independent State,"‡ in contrast to the Roman colony, which was "simply a plantation subject to the correction, jurisdiction, and legislative authority of the mother city."§ The necessity of finding fresh land prompted the foundation of the ancient colonies, but "folly and injustice seem to have been the principles which presided over and directed the first project of establishing"¶ our own. He inveighs against the system which oppressed the colonist and English people alike in order to maintain a monopoly in the interest of a class, and points out that to all outside the class the Colonies have become an intolerable burden through war and taxation. As a way out of the difficulty

\* *Wealth of Nations*, Book IV., c. 7.

† *Empire and the Century*, p. 84.

‡ *Wealth of Nations*, Book IV., c. 7.

§ || *Ibid.*

he suggests that Parliament might make requisitions on the Colonies, but he sees that the Colonies would refuse to be taxed by a Government in which they are not represented, and his final suggestion is that there should be not a federation, but a union in which the Colonies should have proportionate representation in Parliament.\*

Adam Smith's title to be an empire-builder is usually founded on a famous utterance about the Navigation Laws. "He thought that the Navigation Laws were the sinews of sea power, the necessary economic nexus of the Empire, 'the wisest of all the commercial regulations of England,' and he advocated the continuance of those laws as the concrete foundation of our economic policy." As a fact, his enthusiasm for the Navigation Act is very lukewarm. The paragraph of his work from which the foregoing quotation is made by "The Empire and the Century" begins by saying that "the Act of Navigation is not favourable to foreign commerce or to the growth of that opulence which can arise from it."† He regards it not as an economic Act, but as an Act of national animosity directed against the power of Holland, and commends it from that point of view. He has been arguing that all governmental restrictions and regulation of commerce are harmful, but as "the defence of Great Britain depends very much upon the number of its sailors and shipping," the Act of Navigation may be justified as a measure of defence. As defence is of much more importance than opulence, the Act of Navigation, he says, "is perhaps the wisest of all the commercial regulations of England."

It is noticeable that "The Empire and the Century," in quoting this sentence, does not include the suggestive word "perhaps," and that no account is taken of Adam

\* *Wealth of Nations*, Book IV., c. 7.

† *Ibid.*, Book IV., c. 2.

Smith's criticism of the Navigation Act in the seventh chapter of his Fourth Book. So far from upholding it as the necessary economic nexus of the Empire, he points out that it had an evil effect by withdrawing capital from other branches of trade and reducing them to decay. He will not even allow that the Navigation Act had much effect in increasing the naval power of England.\* "In the Dutch war, during the government of Cromwell, her navy was superior to that of Holland; and in that which broke out in the beginning of the reign of Charles II. it was at least equal, perhaps superior, to the united navies of France and Holland." "But this great naval power could not in either of these wars be owing to the Act of Navigation," because, as he points out, it had not then had time to come into effective operation. On the whole, the praise of Adam Smith as an empire-builder, except upon the impracticable basis of a complete parliamentary union between the Mother Country and the Colonies, cannot be said to be justly earned. Indeed, there is some fear that he should be reckoned a Little Englander by those who desire that England should remain the head and centre of the Empire, as he regards with philosophic calm a probable result of his scheme. Such has been the rapid progress of America in wealth and population, he says, that "the produce of the American might exceed that of British taxation. The seat of Empire would then naturally remove itself to that part of the Empire which contributed most to the general defence and support of the whole."

On the other hand, is it quite fair to say that Cobden actively desired the disruption of the Empire though he did not regret the prospect? The views of statesmen in the middle of the last century as to the future of the Colonies were coloured by the colonial relations with the

\* *Wealth of Nations*, Book IV., c. 7.

Mother Country, which were scarcely satisfactory. Though the oppression of which Adam Smith complained when the Colonies could neither manufacture what they pleased nor buy or sell where they pleased, had been done away with, statesmen as liberal as Charles Buller and Lord Grey maintained the view that the Mother Country ought to regulate the trade of the Empire as they pleased.\* “It has always been held to be one of the principal functions of the Imperial legislative Government,” wrote Lord Grey, “to determine what is to be the commercial policy of the Empire at large, and to prescribe to the various colonial legislatures such rules as are necessary to carry that policy into effect.” It is needless to say that the Colonies resented this doctrine, and that discontent was rife. As the Colonies were frequently burdensome to the English taxpayer, and as they grew to have a fiscal policy of their own, the idea was accepted that so soon as they attained to a certain degree of progress they would drop off from the Mother Country. The oft-quoted speech of the Conservative Minister who said that he would rather vote ten millions for the Americans to take Canada than three millions to make a Canadian railway, is an index of the irritation which existed on both sides; while statesmen like the late Lord Granville endeavoured to prepare for what was looked for as a natural conclusion by giving the Colonies free institutions which would enable them to govern themselves constitutionally when the time came. But when these statesmen had completed their work they discovered that, instead of dissolving, they had founded the true British Empire. By giving the Colonies perfect freedom they had done away with all wish for separation. They had followed Adam Smith’s advice, and by the grant of autonomy converted factious subjects into affectionate and generous friends.

\* *Cf. Nat. Review*, July, 1905.—Parker Smith.

It is from this moment that we can trace the rise of the Imperial spirit, the devotion to the British ideal which is the true bond of Empire.\* The relation between the Greek colony and the parent State, says Dr. Allin,† is an indication of "the Hellenic spirit." "The tie was, as a rule, marked by courtesy and dignity; the daughter, while claiming freedom and independence, yielded respect to the mother and acknowledged her title to assistance. A war between the Colony and the parent State was a thing almost unheard of in Greek history." Can anything better describe the British spirit? It is founded on sentiment, but sentiment is the child of idealism, and "idealism is the safeguard against degradation." It has been the fashion to belittle the force of sentiment. During the last few years even the greatest of Imperialist speakers have rendered it little more than lip service, and while acknowledging that it constitutes a bond of union, have urged that unless supported by material interest it will be of little effect. "Armaments are not created nor wars waged for sentiment," says an Imperialist writer.‡ "Were the Colonies prepared to fight under the Imperial flag for reasons no more urgent than those of sentiment, they would not be patriotic, but insane." But surely, from the time of the Crusades, sentiment has played its part in urging our nation to war, while

\* Having gone so far we must accept the doctrine of Freedom in its entirety and submit to its consequences with equanimity. The British manufacturer must bear with the Colonies when they raise their tariff walls against his goods. He must recognise that though Free Trade is best and the most wholesome atmosphere for the growth of Imperial sentiment, yet the Colonies have the right, if they please, to adopt List's doctrine of protection for infant industries. He may, however, hope that they will come to see—as List did—that Free Trade is the system fitted for a full-grown country.

We may however, by adhering to the principles of Free Trade, prevent a check to the growth of this sentiment in another quarter. A Preference which if granted might involve a tax on bread would certainly tend to alienate the sympathies of the working classes.

† *Race and Religion*, p. 46.

‡ *The Empire and the Century*, p. 119.

patriotism, loyalty, and honour, which are pure sentiment, have been incentives to the noblest actions in history. Canada detests militarism, and may decline to contribute to the armed forces of Great Britain; but the Canadian, "though he has never been in England, is greatly attached to her on sentimental grounds, and would be glad to help her within the bounds of reason if she should stand in need of it."\* Forty thousand Canadians volunteered for service in America in the Civil War between the North and South. More would come to England's help in a cause which seemed just. Australia looks to become a great power in the South Pacific, but an Englishman as he leaves Sydney harbour on the deck of the homeward-bound steamer will hear men of middle age who have never left the colony say to one another, "I am going home," "I have never been home before." In spite of his aspirations for the future, England is still the home of his race to the Australian, and in case of need he would rally to her side. This is the expression of the Imperial sentiment, the sense of fellowship in the British ideal which we should seek to foster. "Hellas is a race rather than merely a country,"† says Dr. Allin. The same may be said of the British Empire, and the true bonds of union are those which knit together the Hellenic race.

The British have the Greek love of independence and democracy which leads to particularism, but without the Greek levity. "The Greek chattered and speculated while the Roman organised." The British claim to have the Roman gift of organisation as well. How far this gift will avail to organise the Empire remains to be seen. No one has a right to say that political unity and commercial unity will never be brought to pass, though from the

\* *Fortnightly Review*, December, 1905, 1025.

† *Race and Religion*, p. 28.

present particularist tendencies of the Colonies they seem to be a long way off. But in the meantime there is plenty to be done in strengthening the sentimental bond. Improved communication by sea and land will bring each part of the Empire closer. Cheaper postal and telegraphic rates will help intercourse, and easier terms for the conveyance of literature may enable the Canadian, by getting his magazines from England instead of America, to look at Imperial questions from the British point of view. Following Cecil Rhodes's initiative, the youth of the Colonies may be led to seek their highest culture in Great Britain; while for the elders, efforts can be made to make them feel that they are welcome in their ancient home. The success which has attended the efforts of the Victoria League—out of all proportion to its slender resources—is of the best augury for the future. To increase knowledge by intercourse, to rub off angles and dissipate misunderstanding, to bring the scattered members of the race together, to promote community of taste and aspirations, is to create identity of race feeling and sympathy, and on this sentimental basis the Empire will rest.

Each nation has its own modes of thought and feeling, which find expression in its politics, social forms, and religion, and these together create the national type or personality. Our own national type or ideal is dear to us: all others are strange to us. If, then, we can succeed in preserving the identity of the British type and the British ideal throughout the world, we shall cleave together, because the whole Empire will become one country in thought and feeling, and the safeguarding of the Empire will become the task of every man within its borders.

W. R. MALCOLM.







# THE COLONIAL CONFERENCE

THE COBDEN CLUB'S REPLY TO  
THE PREFERENTIAL PROPOSALS



CASSELL & COMPANY, LIMITED

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# THE COLONIAL CONFERENCE.

*The Cobden Club's Reply to the Preferential Proposals.*

## CHAPTER I.

### THE EARLY MOVEMENT TOWARDS FEDERATION.

WHAT light does the Colonial Conference of 1907 throw upon the future of the British Empire, especially as regards the relations between the Mother Country and the self-governing Colonies? Before endeavouring to answer this question by examining the Report of the Conference, it is desirable to present a brief account of the official circumstances which led to this Conference. The movement for a closer organisation of the parts of the Empire for common purposes of government, defence, and trade, had long been occupying the attention of politicians both in Great Britain and the Colonies before the advent of Mr. Chamberlain to the office of Colonial Secretary in 1895 gave practical importance to the proposals. Not only had private associations in this country been educating public opinion upon the advisability of Imperial Federation, but as far back as 1874 Lord Carnarvon, on entering the Colonial Office, had definitely set himself to promote the federation of Colonial groups as a step towards the fuller federation.

When Mr. Chamberlain became Colonial Secretary in 1895 he directed all his energy to the promotion of this object. Events in Australia and, as he thought, in South Africa, were moving rapidly towards local federation, and the association of these groups in one great federal union appeared to him quite practicable.

From the time of the first Colonial Conference in 1887 the notion of a Customs Union had been before the minds of Federationists, though at that date it seemed outside practical politics. Lord Salisbury in 1887 recognised that an effective Customs Union was precluded by our Free Trade policy. His words are worthy of citation :

“ I fear that we must for the present put in the distant and shadowy portion of our task, and not in the practical part of it, any hope of establishing a Customs Union among the various parts of our Empire. I do not think that in the nature of things it is impossible; I do not think that the mere fact that we are separated by the sea renders it impossible. . . . But the resolutions which were come to in respect of our fiscal policy forty years ago set any such possibility entirely aside, and it cannot be now resumed until on one side or the other very different notions with regard to fiscal policy prevail from those which prevail at the present moment.”\*

The first active steps towards the realisation of what appeared to Lord Salisbury in 1887 impracticable took place at the Colonial Conference at Ottawa in 1899, when three resolutions were passed dealing with trade relations in the Empire. The first two had for their object the repeal of legislation and of treaty stipulations precluding the realisation of the policy embodied in the third resolution, the gist of which was contained in the following two clauses :—

“ That this Conference records its belief in the advisability of a Customs arrangement between Great Britain and her Colonies by which trade within the Empire may be placed on a more favourable footing than that which is carried on with foreign countries.”

“ That until the Mother Country can see her way to enter into Customs arrangements with her Colonies, it is desirable that, when empowered so to do, the Colonies of Great Britain, or such of them as may be disposed to accede to this view, take steps to place each other's products, in whole or in part, on a more

\* Cd. 5091.

favoured Customs basis than is accorded to the like products of foreign countries.”\*

The Imperial Government was not directly represented at this Conference, but, on receiving the copies of these resolutions, the Marquess of Ripon, then Secretary for the Colonies, sent to the several Colonial Governments a Memorandum setting forth in some detail the objections on behalf of Great Britain to the proposal that she should enter into any such fiscal rearrangement, and pointing out in particular that “ the gain to the Colonies, whatever it might be, would, even at first, be altogether incommensurate with the loss to the Mother Country.”†

#### MR. CHAMBERLAIN'S EARLIER POLICY.

This did not, however, prevent Mr. Chamberlain from recognising in 1895 the value of this idea as a leverage for his wider project, and, addressing the Canada Club, in London, in March, 1896, he proclaimed the doctrine that Imperial union “ can be most hopefully approached, in the first place, from its commercial side,” and that “ a true Zollverein for the Empire, a Free Trade established throughout the Empire, though it would involve the imposition of duties against foreign countries, might probably lead to a satisfactory arrangement, if the Colonies were on their part willing to consider it.” At this time he rejected the notion of the preferential bond as totally impracticable. “ That, while the Colonies should be left absolutely free to impose what protective duties they please both on foreign countries’ and British produce, they should be required to make a small discrimination in favour of British trade, in return for which we should be expected to change our whole system and should impose duties on food and raw material. . . . My own opinion is that there is not the slightest chance that in any reasonable time this country would adopt so one-sided an arrangement. I do not believe that the working classes of this country would consent to

\* C. 7829, page 2.

† C. 7524, page 5.

make a revolutionary change for what they would think to be an infinitesimal gain.”\*

Imperial Federation on a Free Trade basis, conducted by an Imperial Council, which later on might grow into a Federal Parliament, was the conception which dominated Mr. Chamberlain's mind at the Colonial Conference of 1897. Such a Council, even in its earlier and merely consultative days, would become an organ of authoritative advice in Imperial concerns, and, in particular, an instrument for the preparation of a scheme of voluntary contribution to the cost of Imperial defence from the self-governing Colonies.

The Secretary for the Colonies was, however, a good deal in advance of the sentiments of the Premiers attending the first Conference of 1897. They were not able to accede either to the political or the commercial project, and upon both issues confined themselves to resolutions of a purely general character. Instead of adopting the proposal of an Imperial Council, they merely passed a resolution to the effect that “The Premiers are of opinion that it would be desirable to hold periodically Conferences of representatives of the Colonies and Great Britain for the discussion of matters of common interest.” On the question of Commercial Union they contented themselves with passing two resolutions, one urging the early denunciation of any treaties which hampered the commercial relations between Great Britain and the Colonies, the other undertaking to confer with their colleagues with a view to considering whether a preference might not be given by the several Colonies to the products of the United Kingdom.†

It is quite evident that neither Canada nor Australia were prepared then seriously to consider entering any political or economic arrangement that would bind them in any way, or to entertain any proposal for Colonial contributions to Imperial defence on any basis

\* Speech at Conference of Home and Colonial Chambers of Commerce, June 10, 1896.

† Cd. 1299, page 35.



of trade or population. The preferential resolution was not adopted as the first step towards commercial union upon a basis of mutual agreement. It did not contemplate any reciprocal action on the part of the Mother Country. This Mr. Chamberlain admitted in 1902, when he said\* of the 1897 resolution: "This was a proposal without any reciprocal obligation. It was considered by the Premiers at the time as a proposal which might be made in consideration of the fact that the United Kingdom was the largest and the most open market in the world for all the products of the Colonies."

Even before the 1897 Conference, Canada, of her own initiative, had given a preference of 12½ per cent. upon British goods, afterwards increased to 25 per cent., and then to 33⅓ per cent. Between the Conference of 1897 and that of 1902, no action whatever was taken by the other Colonies to give effect to the resolution regarding Preference. But in the meantime the South African war took place. The Imperial enthusiasm generated by the war, and in particular by the active co-operation of Colonial troops, greatly raised the hopes of Federationists both in Great Britain and in the Colonies, and Mr. Chamberlain entered the Conference of 1902 with proposals indicative of very sanguine expectations.

#### THE CONFERENCE OF 1902.

It is important to realise what were the proposals of Mr. Chamberlain and the "forward" party among the Colonials upon the three important issues, political federation, commercial union, and Imperial defence, and what the sense of the Conference was upon these issues.

Mr. Chamberlain began his address to the Conference by an eloquent appeal for an approach "to a more definite and a closer union," coupled with the declaration, "I do not hesitate to say that, in my opinion, the political federation of the Empire is within the

\* *Idem*, page 7.

limits of possibility," and pleading for the immediate creation of "a real Council of the Empire to which all questions of Imperial interest might be referred, and, if it were desired to proceed gradually, the Council might in the first instance be merely an advisory council." "But, although that would be a preliminary step, it is clear that the object would not be completely secured until there had been conferred upon such a Council executive powers, and perhaps also legislative powers; and it is for you to say, gentlemen, whether you think the time has come when any progress whatever can be made in this direction."\*

The Colonial gentlemen did not think the time had come. Not even the arch-Imperialist Mr. Seddon dare commit his Colony to any approach towards accepting the idea of an Imperial Council. No report is given of the discussion of the scheme: no Premier brought forward a resolution on the subject, and the Conference contented itself with a resolution affirming, in terms similar to those of 1897, the general desirability of Conferences, adding the more definite suggestion that they should be held at intervals "not exceeding five years."

The only resolution adopted which affected the political relations between the Mother Country and the Colonies was a demand not for curtailment but for enlargement of Colonial liberty, asking that in treaties negotiated by Great Britain with Foreign Powers "the views of the Colonies affected should be obtained."

A strong appeal was made by Mr. Chamberlain for a "fair distribution of the burdens of Empire" in the shape of a larger contribution towards Imperial defence.

The Naval side of this suggestion was supported by an elaborate Memorandum from the Australian Minister of Defence, maintaining the proposition "that the Empire should have one fleet maintained by the whole nation, every part contributing to its support on some plan to be mutually arranged." The project of a Royal Naval Reserve, to which the different

\* Cd. 1299, page 4.

partners should make both a financial and a personal contribution, and which in time of war should be placed under Imperial control for use wherever it was required, was strongly urged by our Admiralty. Personal negotiations were conducted with the various Premiers, with the result that the Premiers of Cape Colony and Natal agreed to recommend their Governments to make a slight increase on their small contributions to the Navy, while Australia and New Zealand agreed to contribute a sum of £200,000 and £40,000 respectively. Canada, be it observed, is not able to make any offer of assistance like the others, because "the Government of the Dominion are contemplating the establishment of a local naval force in the waters of Canada," *i.e.* she would have nothing to do with an Imperial Navy.

Although the First Lord of the Admiralty pointed out in plain terms\* the utter insufficiency of these contributions, no attempt appears to have been made to come to an intercolonial agreement upon any basis of contribution whatever. No Premier cared to engage his Colony to bear a "fair" share of the burden of an Imperial Navy.

Now let us turn to Military Defence. The Secretary for War pleaded for an Army Reserve of the Imperial force, consisting of men to be trained and supported by the several Colonies, with a view of acting as an Imperial force and "with a liability to oversea service." The reserve pay of a body of 20,000 men thus trained would only amount to a sum of about £180,000 a year spread over all the Colonies.

This scheme, apparently concocted between the Secretary for War and Mr. Seddon, had the support of the representatives of Cape Colony and Natal, but was rejected by those of Canada and Australia upon the ground that, "To establish a special force, set apart for general Imperial service, and practically under the absolute control of the Imperial Government, was objectionable in theory as derogating from the powers of self-government enjoyed by them, and

\* Cd. 1299, page 18.

would be calculated to impede the general improvement in training and organisation of their defence forces, and, consequently, their ability to render effective help if it should be required.”\*

#### THE TRADESMAN'S ENTRANCE.

So much for Mr. Chamberlain's projects of political and defensive federation. But, important as were these proposals, and disappointed as he must have been at their reception, his chief hope lay in commercial federation. Baffled in his approach through the front door of politics, he sought the tradesman's entrance.

“ Our first object is free trade within the Empire.” By this was meant not any system of mere preferences, in which the British manufacturer should always stand at a disadvantage with the Colonial manufacturer, but equal treatment for British goods with Colonial goods. Mr. Chamberlain was quite aware that exigencies of revenue forbade the Colonies from adopting towards our goods so liberal a policy as we adopt towards theirs. “ But in my mind, whenever Customs duties are balanced by Excise duties, or whenever they are levied on articles which are not produced at home, the enforcement of such duties is no derogation whatever from the principles of Free Trade, as I understand it.”†

Aware that the Colonies would not commit themselves immediately to such a proposal, Mr. Chamberlain hoped for a substantial agreement upon the project of a scheme of Colonial and British preferences introduced in a resolution of Mr. Seddon to the effect: “ That it is essential to the well-being of the Mother Country and his Majesty's dominions beyond the seas that, in such dominions where the same do not now exist, preferential tariffs, by way of rebate on duties of British manufactured goods carried in British-owned ships, should be granted, and that in the Mother Country rebate of duty on Colonial products now taxable should be conceded.” Even on this matter no

\* Cd. 1299, page 32.

† Cd. 1299, page 6.

real agreement and no common policy seemed possible, because "the circumstances in the different Colonies differed so widely"; and so, to save the situation, a number of separate private interviews took place between the Premiers and the President of the Board of Trade, as the result of which the several Premiers undertook to press their Governments for substantial preferences for British imports.

The general resolution which they adopted, while expressing this intention, put a formal extinguisher upon Mr. Chamberlain's notion of "free trade within the Empire."

The following are the important clauses of the resolution:—

"That this Conference recognises that, in the present circumstances of the Colonies, it is not practicable to adopt a general system of Free Trade as between the Mother Country and the British dominions beyond the sea.

"That with a view, however, to promoting the increase of trade within the Empire, it is desirable that those Colonies which have not already adopted such a policy should, as far as their circumstances permit, give substantial preferential treatment to the products and manufactures of the United Kingdom.

"That the Prime Ministers of the Colonies respectfully urge on his Majesty's Government the expediency of granting in the United Kingdom preferential treatment to the products and manufactures of the Colonies, either by exemption from or reduction of duties now or hereafter imposed." This was the first demand from the Colonies for preferential treatment of their products in British markets. It was not proposed as a necessary condition of preference to British goods in Colonial markets. The two resolutions were independent of one another.

Canada had, it appears, been pressing the Imperial Government, throughout the Conference, for a definite remission of the war duty upon Colonial wheat. To this Mr. Chamberlain could not then accede, urging that the material results of the existing Canadian preference were not sufficient to justify "such an im-

portant departure from the established fiscal policy of the kingdom," and that if it were to be entertained at all "it would be necessary for Canada to offer some material tariff concessions beyond those which she had already voluntarily given."

Subsequent events indicate that Mr. Chamberlain was counting much upon the maintenance of the wheat tax as a means of negotiation with Canada, and as the germ of a system of British preferences to the Colonies. The announcement of the Government, during his absence from the country, that the wheat tax was abandoned, wrecked this hope, and probably precipitated the wider campaign of protection to which he committed himself in 1903.

While the Colonial Conference of 1902 showed a creditable unanimity in the minor issues of Coasting Trade, Mail Services, Protection of Patents, Most Favoured Nation Treatment, Merchant Shipping Laws, and other issues which appealed either to the protective spirit which more or less inspires them all, or to the several interests of the Colonies, upon the vital question of imperial federation, political, military, or commercial, no substantial result was obtained.

The advanced proposals made in nearly every instance by Mr. Seddon, and supported with some degree of cordiality by the representatives of Cape Colony and Natal, were rejected by the representatives of Canada and Australia.

#### THE CONFERENCE OF 1907.

Now, turning to the Colonial Conference of 1907, we are in a position to consider the value of its deliberations, taking as the chief heads the same three issues of political structure, defence, and commercial federation which figured in the Conference of 1902.

First, turning to the political relations of the Colonies and the Mother Country, we find that while measures are taken for improving the deliberative character of the Conference and for establishing more continuous opportunity of discussion between the different parts of the Empire, no single step is taken towards

the establishment of a Council or other imperial body with the beginnings of administrative or legislative authority.

This was not for lack of attempts in this direction. Resolutions of the Governments of Australia, New Zealand, and Cape Colony were tabled proposing the establishment of an Imperial Council, to consist of representatives of Great Britain and the self-governing Colonies. While the Australian resolution made it clear that the functions of such a Council were to be exclusively deliberative, New Zealand held that "it might facilitate the dealing with questions that affect the over-sea dominions"; while Cape Colony, more advanced in its Imperialism, proposed that at such Imperial Council "questions concerning, *inter alia*, the peace of the Empire should be discussed," and linked the proposal with a plan of Imperial defence.

The Colonial Office, under Mr. Lyttelton, appears to have taken the initiative in proposing the substitution of an Imperial Council for a Colonial Conference, and in negotiating with the Colonial Governments upon the matter. The adoption of the proposal was stopped by the refusal of Canada to accede to the arrangement, and Sir W. Laurier's explanation of this position deserves quotation.

"When this subject was first put to the Colonial Governments by the despatch of Mr. Lyttelton, the suggestion was that an Imperial Council should be created; and, as we understood it in Canada, it meant this—and I think that was the thought that Mr. Lyttelton had in his mind at the time—that the Council should be composed of the members of the present Conference or of the Conferences which have taken place up to this date; that is to say, of the Prime Ministers of all the self-governing Colonies, assisted by a permanent body to sit here in the City of London, similar to the Imperial Defence Committee. If that idea had been accepted, that there should be here a permanent Imperial Civil Committee instead of an Imperial Defence Committee, the title "Imperial Council," I think, would have been appropriate. We demurred at once in Canada to the idea of creating such

a committee as was suggested, but *we thought it preferable to keep the Conferences to their present composition, without any more power than they have at the present time*; and therefore we suggested that the name Conference should be retained, substituting for 'Colonial' the word 'Imperial,' which I think is more in accordance with the fitness of things. These Conferences are really Imperial in their character, since they are not composed only of the self-governing Colonies, but of the representatives of the Imperial Government also."\*

The suspicion evidently entertained by Canada lest an Imperial Council might acquire new powers does not appear to have been shared by Australia, New Zealand, and Cape Colony, but it is important to observe that Mr. Deakin, in proposing the new title, and Sir J. Ward and Dr. Jameson in supporting it, expressly disclaim the notion of creating any body with any other than purely consultative powers.

"Our idea was not to endow the new body, under whatever title it was known, with any legislative or executive power whatever, nor to diminish its immediate dependence upon the Governments of the Dominions represented here" (Mr. Deakin†). "I want also to say that I think the functions and powers of the Council should be consultative and advisory only on everything, and that it should have no executive or administrative powers" (Sir J. Ward‡). "We did not wish to institute any new scheme whatever, as Mr. Deakin has explained; all that we desired was to make more efficient the work of the Conference, as the Conference stands at present" (Dr. Jameson§).

But while the representatives of the several Colonies are in full agreement that no body shall be created which shall trench in any way upon the control of their own affairs by the Colonies, or shall bind them to any common action, a very interesting rift of sentiment appears upon certain practical proposals which to certain Colonies appear to have a dangerous tendency in that direction.

\* Cd. 3523, page 29. † Page 27. ‡ Page 31. § Page 33.



## THE PERMANENT SECRETARIAT.

While Sir W. Laurier favoured the substitution of "Imperial" for "Colonial" Conference, on the ground that it was a more accurate expression of the facts, he looked with grave suspicion upon the establishment of a permanent "Secretariat," a suspicion evidently shared to some extent by Lord Elgin and General Botha.\* Such a body, though designed to be dependent upon the Governments in whose interests it existed, and to be purely informatory in its functions, might tend to "independence" and to the acquisition of some measure of real control.

This criticism of Sir W. Laurier, General Botha, and Lord Elgin was overborne by a recognition that it was necessary to make some sort of permanent provision for orderly communication between the Governments which in the future were to meet in regular Conference every four years, and it was finally agreed "That it is desirable to establish a system by which the several Governments represented should be informed during the periods between the Conferences in regard to matters which have been or may be subjects for discussion, by means of a permanent secretarial staff, charged, under the direction of the Secretary of State for the Colonies, with the duty of obtaining information for the use of the Conference, of attending to its resolutions, and of conducting correspondence on matters relating to its affairs."

To the Colonial and British politicians who favour Imperial Federation, this Secretariat may come to be a stronger *point d'appui* than the periodic Conference. Behind the proposals of Mr. Deakin and Dr. Jameson may be seen an express desire to remove the relations between Great Britain and the self-governing Colonies from the control of the Colonial Office altogether, and to set them upon an entirely new footing under a body representing the several Governments and presided over by the British Prime Minister as representing the Crown. Mr. Deakin, who took the lead in

\* Pages 36, 37.

expressing this idea, desired to have a clear distinction drawn between the status of the self-governing and of the Crown Colonies.

“The Colonial Office must expect to see the self-governing communities outgrow its capacity for control, which is not capable of being indefinitely extended.\*

“All the departments of this Government would remain—the Colonial Office, the Foreign Office, the Board of Trade—and matters of inquiry and ordinary communications would go to these departments as a matter of course. What I thought might be attached to the Prime Minister personally were those dispatches which have respect to the exercise of the self-governing functions of self-governing communities, all great constitutional questions or matters involving constitutional questions.”†

This revolutionary proposal, it seems, was to be achieved by the establishment of a Secretariat independent of the Colonial Office and presided over by the Prime Minister. As developed by Mr. Deakin and Dr. Jameson, it deserves more than a passing attention. Their avowed aim was the creation of a staff “controlled by the Prime Minister here as representing all the Prime Ministers of the Empire,”‡ to which should be transferred the consideration of all constitutional issues between the British Government and the self-governing Colonies, which at present fall within the province of the Colonial Office. This, if carried through, would have the effect of removing the Secretariat from the authority of a responsible Minister of the British Government, for the Prime Minister would preside as *primus inter pares* on behalf of the body of Premiers forming the Conference.§

Sir W. Laurier took the strongest objection to this proposal, insisting that the Secretariat should be under the control of the Colonial Office. Finally, the refusal of the Prime Minister to accede to the proposal that he should preside decided the issue. But this attempt

\* Page 44.

† Page 44.

‡ Page 67.

§ Pages 67 and 68.

to remove the constitutional control of the self-governing Colonies from the Colonial Office, and to set up in this Secretariat the nucleus of a real Imperial Council in which the Prime Minister of England should preside as a member of the Imperial Conference, was a bold attempt at making history.

#### SUMMARY OF THE POLITICAL RESULTS.

Various other attempts at constructive Imperialism, proposed by Mr. Deakin, usually with the backing of Dr. Jameson, were successfully opposed by Sir W. Laurier, who, with General Botha, ranked as an opposition to the forward movement.

Of such a character was the proposal of Mr. Deakin that in the absence of the Prime Minister, who was formally constituted President of the future Imperial Conferences, the "senior member" of the Conference, not the Colonial Secretary, should preside. This suggestion, logically linked with the determination to make the Conference and the Secretariat a body purely representative of equal Governments, was withdrawn on the objection of the representative of Canada. So was the Australian resolution, "That it is desirable to establish an Imperial Court of Appeal." Sir W. Laurier's speech upon this resolution makes it evident that Canada looks not to the substitution of an Imperial Court for the present jurisdiction of the Privy Council, but to the elimination of Imperial jurisdiction altogether.\*

Summarising the political results of the Conference, we perceive that the following changes in the constitution of the Conference were effected. Known no longer as a Colonial, but as an Imperial Conference, it is to be held not irregularly as heretofore, but at regular intervals of four years. The Prime Minister is to be *ex officio* President, instead of the Secretary of State for the Colonies, who, however, will be Vice-President, and will, as heretofore, be charged with the arrangements for the Conference. The permanent

secretarial staff under the Secretary of the Colonies is charged with "the duty of obtaining information for the use of the Conference, of attending to its resolutions, and of conducting correspondence on matters relating to its affairs." Upon matters of importance, which cannot conveniently be postponed, subsidiary Conferences may be held between representatives of the Governments concerned.

#### THE COLONIES AND IMPERIAL DEFENCE.

On the question of Imperial Defence the crucial issue is evidently this: Will the self-governing Colonies undertake to contribute money and men on any agreed basis to the maintenance of an Imperial Army and Navy to be operated as a whole and in whatever part of the Empire they are needed? Mr. Haldane approached the question of an Imperial Army very delicately, describing the main distinction between the expeditionary force and the home defence line in our British Service, and suggesting that the Colonies should draw a similar distinction. He did not, however, raise directly the radical question whether the Colonies would undertake to keep any force which was available for use outside the Colony. This question of Colonial enlistment for compulsory service throughout the Empire was touched by several speakers, but no one, with the exception of Mr. Smartt, of Cape Colony, expressed a view favouring the possibility of such enlistment. Sir F. W. Borden, of Canada, pointed out that the Canadian laws did not permit the raising of such a force, and Sir J. Ward held out no hope of any other than an emergency supply of volunteers from New Zealand.

While the Conference unanimously endorsed a resolution for the free voluntary co-operation of the parts of the Empire in military training and methods of equipment, to be forwarded by the instrumentality of an Imperial General Staff, that body was described by Mr. Haldane as "a purely advisory body," in reply to Sir F. Borden's statement that "I scarcely think it would do to have officers in the different Dominions

who were responsible in the first place to the Secretary of State for War here."

Upon the question of an Imperial Navy no resolution was passed, and the Conference confined itself to a series of expressions of general sympathy and a disposition on the part of the Colonies, other than Canada, to increase their present contribution to the British Navy.

It is impossible to read the report of the discussions on Defence without perceiving that the self-governing Colonies are not in the least disposed to bind themselves, either now or in the future, to any considerable contribution to Imperial Defence, still less to any measure which places their ships or their fighting men under the control of British or Imperial officers.

#### PREFERENTIAL PROPOSAL IN 1907.

In the important debates upon the commercial relations of the Empire, and particularly upon Preferential Trade, it is of great importance to realise two facts: first, that the attitude of the British Government was one of pronounced and consistent hostility to all the proposals involving her in preference to Colonial goods; second, that among the Colonial Premiers wide differences displayed themselves as to the degree of urgency and mode of pressure brought to bear on the Mother Country.

Sir W. Laurier and General Botha were content to reaffirm the resolutions of 1902, which, in relation to the Mother Country, "urge on his Majesty's Government the expediency of granting in the United Kingdom preferential treatment to the products and manufactures of the Colonies, either by exemption from or reduction of duties now or hereafter imposed."

This may be taken as the Conservative position; Australia, New Zealand, Cape Colony, and Natal all adopted a more forward attitude, in their resolutions or in discussion.

The steps marking this advance are best set forth

in the following resolutions proposed as addenda to the resolutions of 1902 :—

- (1) The Commonwealth of Australia proposed—  
 “ That it is desirable that the preferential treatment accorded by the Colonies to the products and manufactures of the United Kingdom be also granted to the products and manufactures of other self-governing Colonies. That it is desirable that the United Kingdom grant preferential treatment to the products and manufactures of the Colonies.”

The first of these clauses implies a limitation of the liberty of the several Colonial Governments in bargaining with one another upon tariff terms, aiming at a more rigorous union among the members of the Colonial Empire. The second expands into a general demand for equivalent preference the smaller request of the 1902 resolutions, and invites Great Britain to a step involving the reversal of her entire Free Trade policy.

- (2) Cape Colony proposed that—“ This Conference, while adhering to the principle of preferential treatment of the products and manufactures of the United Kingdom, desires to impress upon his Majesty’s Government the opinion that the continuance of such preferential treatment to the producers and manufacturers of Great Britain is largely dependent upon the granting of some reciprocal privileges to British Colonies.”

This resolution of Dr. Jameson is, in effect, notwithstanding his disclaimer,\* a threat to withdraw existing preferences unless a *quid pro quo* in British preferences is given, and may be held to mark the most forward step of the Colonial Preferentialists.

The rejection of these resolutions in favour of a simple reaffirmation of the 1902 resolutions implies that the representative Colonial position is that of Canada, claiming of her own free will to give a preference to the Mother Country, asking for such preference as Great Britain can see her way to giving without undue disturbance of her general fiscal policy, but in no sense proposing a bargain of preferences or seeking to bind the various parts of the Empire in any common Imperial agreement.

Two other proposals set before the Conference for forcing the hands of the British Government on the Tariff question further illustrate the divergence between the definitely realised principles of national development, for which Canada stands, and the vague, hasty, short-sighted Imperialism advocated by Mr. Deakin and Dr. Jameson on behalf of the Colonies which they claim to represent.\*

Dr. Jameson, basing his argument upon the fact that the British Government, as participants in the South African Customs Union on behalf of the protectorates of Basutoland and Bechuanaland, are subscribers to the preferential policy adopted by that Union, moved—"That his Majesty's Government should now take into consideration the possibility of granting a like preference to all portions of the Empire on the present dutiable articles in the British tariff."

This proposal to force British preference by a side-wind was supported by Australia, New Zealand, and Natal, but was opposed by General Botha. Sir W. Laurier was absent at the time of voting, but on the introduction of the resolution he had favoured its postponement.

Mr. Deakin's motion—that, "in order to provide funds for developing trade, commerce, the means of communication and those of transport within the Empire, a duty of 1 per cent. upon all foreign imports

\* It must not be forgotten that Mr. Deakin, though the titular representative of the Australian Government, is, in fact, the leader of the smallest of the three parliamentary parties in that country; while Dr. Jameson can hardly be regarded as the representative of a present majority of the electorate of his Colony.

shall be levied or an equivalent contribution made by each of its legislatures"—met with very little favour. The Colonies which approved the general object, and had no rooted aversion to the method, considered it vague in its financial implications, and Sir W. Laurier raised two fatal objections: one, that it would involve alterations in the existing tariff for which Canada was not prepared; the other, that it proposed "to create a general fund for certain purposes, indefinite, undetermined."

To this project of an Imperial Surtax, originally suggested by Mr. Hofmeyer in 1894, in order to furnish a fund for Imperial defence, the general feeling of the Conference was opposed, and Mr. Lloyd-George pointed out that the proposal would involve on the part of Great Britain a contribution of  $4\frac{1}{2}$  millions, as against £600,000 by the self-governing Colonies, besides implying a reversal of our fiscal policy.

One other resolution upon which the policy of the Colonial Premiers and that of Great Britain was at variance deserves mention. In 1902 the Conference carried a motion relating to coastwise trade, which urged upon the Governments of the Colonies and the United Kingdom "the advisability of refusing the privileges of coastwise trade, including trade between the Mother Country and its Colonies and possessions, and between one Colony or possession and another, to countries in which the corresponding trade is confined to ships of their own nationality."

To this, as to every Colonial proposal involving formal restriction of existing trading rights accorded to foreign nations, the British Government refused assent.

The net result of the preferential and restrictive movement, of which Mr. Deakin was the principal mouthpiece, was to reaffirm the resolutions of 1902, but without the support of the British Government. No resolution in advance of the position of 1902 succeeded in gaining the support of Canada and the Transvaal. The position of the British Government



upon each aspect of the "preferential" and "restrictive" movement, advocated alike by Lord Elgin, Mr. Asquith, Mr. Lloyd-George, and Mr. Winston Churchill, was a definite, consistent "*non possumus*," a refusal to depart from the present policy of freedom of trade.

#### CONSTRUCTIVE POLICY. THE ALL-RED ROUTE.

On issues of constructive commercial policy for the Empire, however, the attitude of the British Government was very different, and Mr. Lloyd-George and other Ministers supported a variety of practical proposals for improving the trade relations of the different parts of the Empire. To this class belong the resolutions in favour of uniformity in trade marks and patents, in naturalisation, in company law, and in trade statistics, and the further extension of cheap postage and cable communications throughout the Empire.

But by far the most important practical proposal to which the British Government gave its assent was that for subsidising the development of Imperial communications, and in particular the establishment of an "all-red" route connecting this country with Canada, Australia, and New Zealand. In view of the contentious matter which is undoubtedly contained in this resolution, it may be well here to place it in evidence:—"That, in the opinion of this Conference, the interests of the Empire demand that, in so far as practicable, its different parts should be connected by the best possible means of mail communication, travel, and transportation; that to this end it is advisable that Great Britain should be connected with Canada, and through Canada with Australia and New Zealand, by the best service available within reasonable cost; that, for the purpose of carrying the above project into effect, such financial support as may be necessary should be contributed by Great Britain, Canada, Australia, and New Zealand in equitable proportions."

The British Government, through Mr. Lloyd-

George, appears here to have committed itself definitely to the policy of subsidising shipping and railroad companies for the purpose of directing through Imperial channels the flow of mails, passengers, and goods which "naturally" tended to flow through other and foreign channels, as well as of stimulating by governmental aid the existing current of Imperial trade and travel. Of these two objects the latter is the less exposed to controversy. To improve and cheapen Imperial routes so as to unite the different parts of the Empire by better communications may seem an innocent and a reasonable project, though its attainment by means of subsidies to private profit-making companies exposes it to certain obvious risks. But to cheapen Imperial routes with the object or result of diverting existing or potential trade from foreign sea or land routes has the appearance of an infringement of Free Trade principles. It seems to imply that the money of the taxpayer in this country and the Colonies is to be applied to draw trade away from the routes which nature prescribes as the easiest, and to induce it into routes which, being naturally more difficult, and therefore more expensive, can only be maintained by bounties. *Primâ facie* this is an unwarrantable use of public money, a commercial policy adopted for political purposes, and involving methods liable to those abuses which notoriously beset every form of bounty.

#### GENERAL RESULTS OF THE CONFERENCE.

Viewing the Conference in the broader light its proceedings shed upon the relations of the self-governing Colonies towards Great Britain, it is evident that the provisions made for closer and more continuous communications and deliberations are in nowise to be interpreted as the beginning of a movement towards a Political Federation or a Commercial Union. The position of Canada with regard to all proposals for endowing any federal organ with any function which may develop administrative or legislative power is one of undisguised hostility. She de-

sires no Imperial council of any sort, no Imperial court of appeal, will enter no scheme for imperial defence which fetters her present freedom, and no tariff arrangement which involves her in any common action. She simply desires to be free to make her own arrangements with the Mother Country and the Sister Colonies on terms of equality as Government with Government, entering any specific concrete co-operation which by her independent action she approves, but rejecting any invitation to bind her hands by an agreement to submit to an Imperial body any decision affecting her political status, her tariff policy, or her measures of defence. She desires, though not importunately, release from the control exercised at present by the Judicial Committee of the Privy Council, and the right of giving authoritative advice upon the conclusion of Treaties between Great Britain and foreign countries, which primarily affect her interests, claiming in effect for the Parliamentary Government of the Dominion, the same relation to the Crown as is possessed by the Parliamentary Government of this country. Though disposed to use the preference accorded in goodwill to the British Government as a means of evoking a preference from Great Britain, she does not press this as a claim, still less as an instrument for setting up a common tariff system for the Empire.

The significance of this Canadian Policy is that it represents the most fully conscious evolution of the Colonial principle, an evolution not towards closer union, but consistently towards larger independence in political, military, and economic action. Where Canada stands to-day, the other self-governing Colonies will stand to-morrow. The hot genuine sentiments which inspire here and there a politician of the calibre of Mr. Deakin, Mr. Seddon, or Dr. Jameson, will split the concrete moulds into which they seek to pour themselves. The effective forms of an Imperial federation—political, military, or economic—will be found necessarily to involve a fettering of Colonial liberties now exercised, and in particular a predominance of Great Britain in Imperial designs hostile to the

democracy and sense of self-determination in these self-governing communities.

The preferential policy actually adopted or intended by these Colonies, when closely examined, is found to be slight in form and conflicting in purpose with the protective principle that regulates their fiscal policy. Party politics in this country have given it an importance it does not possess. If not a merely passing phase of Colonial history, it will be found to possess no potency as an instrument for Imperial federation ; and the wisdom of the British Government in refusing to abrogate, or even to modify, her policy of free imports is amply vindicated by the unsubstantiality of the proposal.

## CHAPTER II.

### THE VALUE OF COLONIAL PREFERENCES.

#### GROWTH OF CANADIAN PREFERENCE.

IN seeking to ascertain the value of the existing Canadian preference, and of any probable enlargement of it, we turn to the course of import trade prior to 1898, the first year when the preference was operative, and compare it with the course of import trade since that year. The official returns\* present this information in the useful shape of percentages, and place alongside of the import trade from Great Britain the trade from the great neighbouring country, the United States, whose imported manufactures the Canadian preference was chiefly designed to displace by British goods. The trade of each country is given in lists which distinguish the proportions of dutiable and free imports so as to enable us to see how far the tariff actually presses on the import trade of the two countries.

First, glancing at the period antecedent to the Preference, viz., 1868 to 1897, we perceive a large and tolerably regular decline in the percentage of British imports and a corresponding increase in the percentage of American imports. Whereas Great Britain began with 56.06 per cent. and ended with 27.58 per cent., the United States began with 33.77 per cent. and increased to 53.48 per cent. This decline of British and increase of American imports is even more conspicuous in dutiable than in free goods.

Then came, in April, 1897, the first Preference, amounting to a reduction of  $12\frac{1}{2}$  per cent. on existing tariff rates. This percentage was increased to 25 per

\* Report of the Department of Trade and Commerce, Ottawa, 1907.

## PERCENTAGES OF IMPORTS FROM

YEARS.	Great Britain.			United States.		
	Dutiable to Total Dutiable.	Free to Total Free.	Total Imports Gt. Britain to Total Imports.	Dutiable to Total Dutiable.	Free to Total Free.	Total Imports United States to Total Imports.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
1868	64.78	39.82	56.06	22.93	53.96	33.77
1869	69.35	31.75	56.20	18.97	62.04	34.03
1870	66.52	34.50	56.10	19.27	59.69	32.43
1871	66.25	35.99	57.58	23.43	54.31	32.28
1872	70.59	38.20	59.27	19.43	55.81	32.14
1873	66.63	38.55	54.61	23.42	53.47	36.29
1874	62.69	29.03	49.87	27.67	65.19	41.97
1875	62.64	28.15	51.11	28.55	67.78	41.66
1876	53.76	25.08	43.75	35.41	70.52	47.67
1877	54.03	19.31	41.78	38.59	77.88	52.45
1878	53.76	16.69	41.21	39.25	80.13	53.10
1879	48.84	16.72	39.34	42.95	78.91	53.57
1880	51.74	36.43	48.30	36.11	54.88	40.33
1881	50.06	37.23	47.39	35.78	56.74	40.15
1882	48.34	35.04	45.30	38.41	55.58	42.33
1883	44.47	36.16	42.40	42.20	54.48	45.25
1884	41.02	35.03	39.56	44.74	53.88	46.97
1885	41.90	35.22	40.12	42.62	54.12	45.68
1886	43.00	34.13	40.66	41.97	51.94	44.60
1887	45.78	33.25	42.56	39.13	52.71	42.61
1888	44.29	26.81	38.90	38.90	62.34	46.13
1889	43.26	28.97	38.73	31.91	60.79	45.86
1890	43.15	28.95	38.75	39.65	60.13	45.99
1891	42.19	28.57	37.67	39.97	60.12	46.65
1892	44.58	22.24	35.66	42.66	48.34	44.90
1893	45.61	23.53	36.92	40.88	52.49	45.44
1894	43.79	20.61	33.96	41.13	53.84	46.52
1895	39.81	18.39	30.85	44.05	57.79	49.84
1896	36.24	22.19	31.15	43.28	64.07	50.80
1897	30.53	22.73	27.58	46.03	65.69	53.48
1898	30.23	18.35	25.36	51.00	71.13	59.24
1899	30.77	15.70	24.72	49.73	73.43	59.24
1900	30.25	18.66	25.66	51.65	70.69	59.17
1901	29.92	15.50	24.10	50.58	74.66	60.30
1902	29.54	17.94	24.95	50.72	70.11	58.40
1903	30.85	18.84	26.15	50.10	68.46	57.29
1904	30.18	17.73	25.34	52.07	69.14	58.71
1905	29.88	15.14	23.98	52.21	73.13	60.58
1906	30.40	15.03	24.42	51.74	71.90	59.59

cent. in August, 1898, and to  $33\frac{1}{3}$  in July, 1900, though the increased efficacy of these enlarged preferences was somewhat impaired by tariff changes, making on the whole for more protection in manufactured goods. A partial withdrawal of the Preference in certain woollen and other textiles took place in 1904.

The effects of the Preference seem to be as follows :

1. Though it has not stopped the decline in percentage of British imports (free and dutiable), it has greatly reduced the pace of the decline. While the decline in the imports of free goods from Great Britain continues as before, the decline of dutiable goods has been completely stopped.

2. While the total imports from the United States show a rate of growth nearly as great as in the nine years preceding 1898, the growth of percentage of dutiable goods has been greatly reduced.

3. It thus appears that, though the general course of Canadian import trade is seen to flow ever more strongly towards the United States, the Preference has diverted a certain amount of trade from that country to Great Britain.

For though it is not possible to argue with certainty *post hoc, ergo propter hoc*, imputing to the Preference trade changes which, occurring during a period of new abnormal activity, may be due to other causes, it is legitimate to assume that the Preference must have had some effect in checking the proportionate decline of British dutiable imports into Canada, and in increasing the rate of increase in the total value of these imports.

#### AMERICAN TRADE WITH CANADA.

But when we examine closely the trade statistics, in order to see how far the present or any probable future Preference will check the "natural" tendency of Canada to trade more fully with her neighbour, and will conduce to a general policy of imperial commercial solidarity, we encounter several important factors.

In the first place, not merely does the total import trade from the United States grow at a faster rate than that from Great Britain, but the same tendency is

still more strikingly illustrated in the percentages of export trade.

During the period which chiefly concerns us, viz., 1897 to 1906, the proportions of total exports to Great Britain and to the United States run respectively as follows\* :—

#### EXPORTS FROM CANADA.

	GREAT BRITAIN.		UNITED STATES.	
	Percentages.			
1897	...	59.17	...	32.13
1898	...	67.78	...	23.52
1899	...	65.92	...	24.32
1900	...	60.60	...	30.66
1901	...	54.15	...	36.20
1902	...	55.87	...	33.13
1903	...	58.25	...	31.61
1904	...	55.71	...	33.50
1905	...	50.61	...	37.51
1906	...	53.96	...	35.68

But percentages do not tell everything. In considering their practical bearing on our problem it is well to recall the actual values represented in the free and dutiable trade in question. Not merely is the import trade with the United States immensely larger in value than that with Great Britain, but the proportion of it which is and must remain free is also very much greater.

The following table will suffice to make this clear :—

YEARS.	TOTAL IMPORTS.		
	Dutiable.	Free.	Totals.
	\$	\$	\$
1897 ... ..	66,220,765	40,397,062	106,617,827
1898 ... ..	74,625,088	51,682,074	126,307,162
1899 ... ..	89,433,172	59,913,287	149,346,459
1900 ... ..	104,346,795	68,160,083	172,506,878
1901 ... ..	105,969,756	71,730,938	177,700,694
1902 ... ..	118,657,496	77,822,694	196,480,190
1903 ... ..	136,796,065	88,017,654	224,813,719
1904 ... ..	148,909,576	94,680,443	243,590,019
1905 ... ..	150,928,787	100,688,332	251,617,119
1906 ... ..	173,046,109	110,236,095	283,282,204

\* Report, 1907, Ottawa.



YEARS.	IMPORTS FROM GREAT BRITAIN.		
	Dutiable.	Free.	Totals.
	\$	\$	\$
1897 ... ..	20,217,422	9,183,766	29,401,188
1898 ... ..	22,556,479	9,486,982	32,043,461
1899 ... ..	27,521,508	9,409,815	36,931,323
1900 ... ..	31,561,756	12,718,227	44,279,983
1901 ... ..	31,701,654	11,118,341	42,819,995
1902 ... ..	35,062,564	13,960,162	49,022,726
1903 ... ..	42,210,165	16,582,873	58,793,038
1904 ... ..	44,939,829	16,784,787	61,724,616
1905 ... ..	45,099,527	15,243,177	60,342,704
1906 ... ..	52,615,725	16,568,190	69,183,915

YEARS.	IMPORTS FROM UNITED STATES.		
	Dutiable.	Free.	Totals.
	\$	\$	\$
1897 ... ..	30,482,509	26,540,833	57,023,342
1898 ... ..	38,063,960	36,760,963	74,824,923
1899 ... ..	44,471,824	43,995,349	88,467,173
1900 ... ..	53,897,561	48,182,616	102,080,177
1901 ... ..	53,600,278	53,549,047	107,149,325
1902 ... ..	60,181,808	54,562,888	114,744,696
1903 ... ..	68,538,323	60,251,914	128,790,237
1904 ... ..	77,543,780	65,466,798	143,010,578
1905 ... ..	78,797,440	73,634,186	152,431,626
1906 ... ..	89,540,776	79,257,600	168,798,376

From this table it appears that not only is a much larger proportion of the American imports admitted free than of the British imports, but that this proportion has grown considerably.

Whereas about three-quarters of our imports are taxed, only a little over a half of the American imports are taxed. This is, of course, due principally to the fact that they are raw materials, but the bearing it has upon the general relations between Canada and America is significant.

Then, again, in estimating the value of the Preference as indicative of trade policy, it is material to ask, "What is the average *ad valorem* duty upon dutiable

goods coming from Great Britain and the United States respectively?" The following table\* gives the average *ad valorem* rate of duty on dutiable imports paid during recent years by Great Britain and the United States, and the average paid on dutiable imports from all sources :—

	GREAT BRITAIN. Per cent.	U.S.A. Per cent.	ALL SOURCES. Per cent.
1897	30.693	26.727	29.967
1898	29.478	26.118	29.222
1899	26.627	26.339	28.652
1900	25.583	25.032	27.634
1901	24.748	24.835	27.427
1902	24.027	25.182	27.265
1903	23.316	24.907	27.064
1904	24.117	25.217	27.426
1905	24.770	26.118	27.692
1906	24.601	24.779	26.835

We venture to draw particular attention to this illuminating piece of evidence. It has frequently been observed that the *ad valorem* tax upon imports as a whole is much lower for the United States than for Great Britain, in 1906 the former paying only 13.144 per cent. as compared with 18.709 paid by us. This, of course, is explained by the larger proportion of free goods from the United States.

But this table shows that in spite of the Preference taxed goods from America are not taxed at higher rates than those from Great Britain. This means that, although on certain lines of goods America is handicapped in competition with Great Britain, the handicap is made up by lower rates on other goods in which we do not seriously compete.

#### REAL MEASURE OF THE PREFERENCE.

Again, it appears from this table that the  $33\frac{1}{3}$  per cent. preference works out at a considerably lower figure in practice, for the fall in percentage of taxation for Great Britain from 1897 to 1906, instead of amount-

\* Report, Ottawa, page 15.

ing to one-third, amounts only to one-fifth, representing a real preference of not more than 20 per cent.

Nor is this all. Though the reduction in average duty for the United States is much smaller than that for Great Britain, it is not inconsiderable, and is *pro tanto* a reduction of the amount of preference given to us, if we compare values of trade instead of single commodities. At least half of the size of the preference disappears in the light of the figures here disclosed.\* Two causes seem to have conduced to this result. In the first place, when the Preference was originally arranged the ordinary duty was raised upon certain articles which were very largely imported from Great Britain, so that the Preference involved a much smaller reduction in the actual rate paid on British goods than the percentage of the Preference would seem to imply. In the second place, as we shall see, the Preference on certain woollen and other goods, figuring largely in our exports to Canada, has been reduced.

When we examine recent statistics of Canadian imports to ascertain what classes of British trade the Preference appears to have assisted, we do not find any very clear results upon the course of our greatest textile and metal manufactures.

First take the textiles, which form about 52 per cent. of the preferential imports.† Though the growth of our woollen imports shows a very large and satisfactory advance, considerably greater than that of our European competitors, the small import trade from the United States has grown somewhat faster. Our cotton imports yield similar results, though here our rate of growth is faster than that of the United States, slower, however, than that of the small European trade.

\* Sir W. Laurier, in his address at the Conference, over-estimated the value of the Preference. "As to the dutiable goods, you have increased those goods to the figure of \$52,000,000" (wrongly described as £ in the official report), "that is to say, upon \$52,000,000 of importations from Great Britain into Canada we give you a preference of 33 $\frac{1}{3}$  per cent., which is certainly a valuable contribution to British trade."

† Cd. 3,524, page 337.

## WOOL AND MANUFACTURES.

(Report Canadian Trade, Ottawa, pages 351 and 324.)

	GREAT BRITAIN. \$	U.S.A. \$	OTHERS. \$
1897	5,576,859	218,396	1,330,493
1898	6,221,836	252,242	1,511,788
1899	7,686,366	428,631	1,688,206
1900	7,787,929	359,986	1,653,650
1901	8,061,459	370,453	1,512,193
1902	8,860,393	354,598	1,731,865
1903	11,105,487	394,379	2,061,549
1904	12,707,715	491,328	1,920,340
1905	13,137,525	519,948	1,915,438
1906	14,739,776	624,322	2,087,735

## COTTON AND MANUFACTURES.

	GREAT BRITAIN. \$	U.S.A. \$	OTHERS. \$
1897	2,693,114	1,119,147	239,100
1898	3,086,068	1,332,533	292,193
1899	3,906,676	1,679,428	398,084
1900	4,474,687	1,509,312	522,570
1901	4,869,909	1,463,686	584,397
1902	5,108,513	1,608,369	734,877
1903	5,539,129	1,760,695	819,902
1904	6,016,783	1,827,438	704,757
1905	5,780,041	1,862,784	707,836
1906	6,494,603	2,151,987	921,756

The imports of silk and flax show less satisfactory results. In silk the British imports have doubled since 1897, but both American and "other" imports have advanced at a faster pace, and the same is true of flax.

Measured in percentages, the respective growth of British and general textile imports into Canada during the period 1896-7 and 1905-6 is as follows\* :—

	INCREASES OF 1905-6 OVER 1896-7.		Per cent.
	From United Kingdom.	From all Sources.	
Cotton . . . . .	141	...	136
Wool . . . . .	164	...	145
Silk . . . . .	70	...	176
Flax, hemp, and jute . . . . .	111	...	144
Carpets (other than woollen), curtains, and oilcloth . . . . .	279	...	235

\* Cd. 3524, page 338.

It looks as if the Preference had assisted us in strengthening our woollen and carpets import trades, but had produced no very appreciable effect upon the other textiles.

The operation of the Preference upon the dutiable part of metal and machinery trades is distinctly disappointing, for, though our trade has increased fourfold since 1897, the American trade, far larger in bulk, has increased fivefold. In point of fact, the gain of the United States has been far faster since 1897 than it was before, in spite of the British Preference. The main part of this trade consists, of course, in iron and steel manufactures, and it is here that the overwhelming strength of the United States appears.

#### METALS AND MANUFACTURES.

(Report Canadian Trade, pages 357 and 352.)

	GREAT BRITAIN. \$	U.S.A. \$	OTHERS. \$
1897	2,102,530	7,588,096	462,318
1898	2,230,567	12,006,521	446,336
1899	2,748,187	14,706,314	514,424
1900	4,705,470	19,443,423	662,867
1901	2,965,153	17,768,502	598,371
1902	5,124,011	19,913,810	1,704,756
1903	7,739,373	23,582,528	2,607,661
1904	6,750,503	26,576,274	2,128,119
1905	6,045,346	27,273,171	1,415,061
1906	8,499,468	32,207,263	1,597,644

#### IRON AND STEEL MANUFACTURES.

	GREAT BRITAIN. \$	U.S.A. \$	OTHERS. \$
1897	1,848,937	6,580,029	352,497
1898	1,924,763	10,653,373	323,338
1899	2,335,821	13,173,175	369,708
1900	4,304,869	17,663,325	506,575
1901	2,617,124	16,054,867	421,101
1902	4,754,860	18,066,592	1,512,840
1903	7,348,621	21,375,077	2,403,940
1904	6,227,975	24,252,940	1,913,153
1905	5,437,435	24,849,709	1,177,100
1906	7,591,660	29,370,921	1,348,620

In spite of the Preference not only the United States, but Germany and Belgium show a rapid increase of her export trade with Canada in iron and steel. Germany and Switzerland in cotton, France in woollen goods, are gaining a strong footing; though, as regards Germany, the surtax has operated as a temporary check upon the advance.

#### INEFFECTIVENESS OF THE PREFERENCE.

Regarding the Preference, then, as designed to divert into our pockets the gains of the import trade from the United States its inefficiency is apparent. Taking the two chief trade groups—the textile and the metal—we find that the entire value of the dutiable textile trade possessed by the United States does not exceed  $3\frac{1}{2}$  million dollars, while their dutiable metal trade with Canada is worth over 32 million dollars. If the Preference had enabled us to cut heavily into this latter trade, its value might have been considerable. But, as we see, it has not made any impression. On the other hand, the effect it has produced upon the textiles is of much less importance, because the American trade is not of any considerable size.

In glass, leather, drugs and chemicals, among the secondary manufactures, and in a few others of the third rank, in which may be included certain supplementary textile trades (such as curtains, carpets, and cordage), jams and pickles, Great Britain has made a more rapid advance since 1897 than the United States; but in most others the Preference has not succeeded in deflecting into British channels the increasing trade either of the United States or the Continental European countries.

#### POSSIBILITIES OF FURTHER PREFERENCE.

But, it is often said, we have not yet tested fully the value of the preferential policy: Canada may be willing to go further, to increase her Preference, especially if we were prepared to meet her either with a reciprocal Preference, or with some other *quid pro quo*,

Here are two questions: Is Canada likely to increase her Preference still further? Could any possible increase of Preference turn over to us any large proportion of the trade held at present by the United States or other countries?

Taking the first question, there is no reason to suppose that Canada could, consistently with her protective policy, make any considerable increase of her Preference. "We have done everything that we could," says Sir. W. Laurier—"that has been our policy—to throw the whole of our trade towards Great Britain."\*

"Not only have we done it by Preference, by Legislation, but we have forced our trade against the laws of nature and geography. If we were to follow the laws of nature and geography between Canada and the United States, the whole trade would flow from south to north, and from north to south. We have done everything possible by building canals and subsidising railways to bring the trade from west to east and east to west, so as to bring trade into British channels. All this we have done recognising the principle of the great advantage of forcing trade within the British Empire. This principle we recognise. We are bound to say that though the preference which we have given has not done as much, perhaps, for British trade as the British merchant or manufacturer would like, we have told the British people at the same time that there is a way of doing more. There is the Preference of mutual trade, and this is what we had in view when we adopted in 1902 the resolution of last year."

But though the last sentences seem to hold out a suggestion of increased preference in return for an action which we cannot take, there is no reason to believe that any real advance upon the present Preference would be practicable.

Apart from the fact that there must be limits to the willingness of the Canadian people to pay the heavy cost of flouting "the laws of nature and

\* Report of Colonial Conference (Cd. 3,523, page 410).

geography," the general fiscal policy of Canada precludes any really efficacious policy of Preference.

For the sheet anchor of Canadian fiscal policy is protection for Canadian industries, in particular for her rising manufactures. She admits no "Schedule of forbidden industries" such as Mr. Chamberlain once vainly imagined. Even now her young textile and metal manufactures are looking with jealous eyes at the imports which her present tariff lets in. As new industries arise, and her existing manufactures have strengthened their economic and political position, they will insist upon tariff rates high enough and numerous enough to secure for them the home market. If competing British goods enter under the preferential tariff, that tariff will either be reduced or the general tariff will be raised so high that a preference upon it becomes innocuous.

#### REDUCTION OF THE WOOLLEN PREFERENCE.

This is no mere speculative theory. In 1904 the Canadian woollen manufacturers, finding themselves unable to hold their own with certain classes of English goods, succeeded in inducing Mr. Fielding, the Finance Minister, to introduce into his Budget a special provision for partial withdrawal of this Preference.

"We propose," said Mr. Fielding, "to deal with the matter in this way. Our present duty on the class of goods which I may describe as cloths, tweeds, overcoatings, wearing apparel, and goods of that character, is 35 per cent., subject to the Preference, which brings the duty on British goods down to  $23\frac{1}{3}$  per cent. We do not propose to increase the general tariff, but *we propose to put a limit to the extent to which the Preference shall apply to these goods.* We propose to fix a minimum tariff of 30 per cent. on this class of goods coming in under the Preferential tariff."

The same treatment was demanded and conceded to twine and cordage, subject to a 25 per cent. tariff, which the British Preference had reduced to  $16\frac{2}{3}$  per



cent. "This," says Mr. Fielding, "is a lower rate of duty than even the most moderate tariff man usually is willing to impose, and we propose to fix a minimum duty of 20 per cent. *ad valorem* on that class of goods coming in under the British Preference."

Thus we perceive that the Canadian woollen trade, finding that it is "suffering severely from (British) competition," procures a withdrawal of the greater part of the Preference which, instead of  $33\frac{1}{3}$  per cent., was lowered to  $14\frac{1}{2}$  per cent.—a substitution of one-seventh for one-third.

Canada's fiscal system is primarily designed to enable her to build up manufactures. She has within her borders, or can import, all the raw materials and fuel required for manufactures; and, as her population and her towns grow, trade after trade will be started to produce goods which hitherto had been imported from Great Britain. As each such trade feels the pinch of the Preference, it will press upon a compliant Finance Minister to do what Mr. Fielding did for woollens.

How can it be otherwise? There is an inherent antagonism between Preference and Protection, and in a Protectionist country Preference must always give way.

#### PREFERENCE FURTHER REDUCED IN 1907.

Nor is this the only method of withdrawing or weakening Preference. The new Canadian Tariff Act of 1907 has interposed between the general tariff and the Preferential tariff an intermediate tariff of rates which, upon the average, are lower by one-tenth than those of the general tariff. The object of this intermediate tariff is to enter into favourable arrangements with foreign countries possessing two tariff rates so as to secure access at the lower rate by offering them a similar advantage. Now it is evident that, since the British Preference is reckoned on the general, not on the new intermediate, tariff, the necessary effect is to reduce the value of the Preference on our goods competing with foreign goods which enter Canada on the intermediate tariff, unless the

percentage of the Preference itself were raised. Now, though the uniform rebate of  $33\frac{1}{3}$  per cent., the former preference, has been replaced in the new tariff by preferential rates varying from item to item, there has been no pretence of raising the general level of the Preference so as to provide against the new foreign competition which may come in upon the intermediate basis. If, therefore, any arrangement takes place between Canada and one of our great manufacturing competitors, so as to place the latter on the intermediate tariff, the result will necessarily be a further practical reduction of the Preference.

Our two largest and most effective competitors are Germany and the United States. At present German goods are especially handicapped by a surtax, due to German tariff action against Canada ensuant on the granting of the British Preference. If, however, as the result of negotiating, Germany could secure not merely the withdrawal of the surtax, but an entrance on the intermediate tariff basis, the protection which the Preference has hitherto afforded us, in competition with some important lines of German goods, would be so seriously diminished as to jeopardise our trade.

Still more important might be the consequences of a reciprocal arrangement with the United States, which contributes 75 per cent. of the imports from non-British sources into Canada. Most of our metal and machine imports are already keenly competing with those of the United States; if the latter could get access on the lower intermediate basis a signal damage would be done to our trade, and the same is true of certain textiles and other manufactured goods. It is idle to reply that Canada has definitely abandoned all hope of a favourable reciprocal arrangement with the United States. This intermediate tariff has for its chief effect, if not for its intention, the offer of a fresh temptation to the New England manufacturers to push the American Government into commercial negotiations with Canada. Apart from this, the grant of access on the intermediate tariff to France, Germany, Belgium, Switzerland, or Japan, which

already do a quite considerable trade with Canada, would mean a diminution of the Preference upon not inconsiderable lines of trade. It must be remembered that the existence of the Preference will be a special incentive to nations, providing goods which at present are just undersold by us in the Canadian market, to bid for entrance on the intermediate tariff.

Not only has the new scale of Preference, substituting a number of particular rates for the general rate of one-third, provided no safeguard against this operation of the intermediate tariff, but taken as a whole it is a reduction of the value of the Preference, even reckoned on the general tariff basis. For in the important woollen trade not merely is the larger withdrawal of Preference, achieved in 1904, maintained, but it is extended to cover other lines of woollen goods. Seventy per cent. in value of the "wool and woollens" imported in the last fiscal year are now brought under this lower rate of Preference.\* In cottons, according to Professor Flux, the preferential duties upon the great bulk of our trade have been raised, while the rates of the general tariff have been lowered: the result is that the Preference, formerly amounting to about 10 per cent. of the value of the goods has been reduced by more than one-fifth of its amount. In iron and steel goods the Preference of the new tariff works out more favourably for us so far as foreign competition on the general tariff basis goes, for a preferential difference of a little over 6 per cent. has been replaced by one of over 8 per cent., apparently arranged, in part at any rate, for the purpose of assisting us to get some business which has hitherto been in the hands of America. But the fact that the general tariff on these goods has been increased, as well as the bounties on Canadian products, shows that there is no intention to allow Preference to weaken Protection of home industries.

Reverting to the general influence of the intermediate tariff upon our Preference, we may refer to

\* Professor A. W. Flux, *Economic Journal*, June, 1907.

the admission of Sir W. Laurier when the matter came up at the Colonial Conference,\* that it might mean that instead of having a margin of  $33\frac{1}{3}$  per cent. over his foreign competitor the English importer may have a margin of only 28 per cent.

The official statement of the matter is this: "The British Preferential rates are about 30 *per cent.* lower, on the average, than the general rates of duty, whilst the intermediate tariff rates are from about 8 per cent. to 15 per cent. (with an approximate average of 10 per cent.) lower than those rates."†

Here of course the conflict is not with the principle of Protection, but with that of negotiation; but since the latter is now an accepted part of a "Scientific Tariff," it is likely to militate more and more against the efficacy of the Preference.

#### BOUNTIES IN THEIR EFFECT ON PREFERENCE.

Finally, the policy of bounties, applied in Canada to the iron and steel and certain other trades, is hostile to the validity of Preference. These bounties are paid upon the home production of pig iron, puddled iron bars, steel, manufacture of steel, binder twine, lead, and crude petroleum. This system, which dates back in origin to 1895, was further developed in 1899, when, partly in compensation for certain reductions of prohibitive duties in the 1897 tariff, a considerable bounty was given to Canadian production of iron and steel. In 1904 binder twine was added to the bounty list, and in 1905 petroleum. The total amount of payments in bounties has grown at an exceedingly rapid pace, as the following official figures‡ indicate:—

#### BOUNTIES DURING THE FISCAL YEARS ENDING JUNE 30.

1897	...	\$86,384	1902	...	\$791,089
1898	...	240,819	1903	...	1,406,185
1899	...	356,774	1904	...	1,130,041
1900	...	356,112	1905	...	2,234,685
1901	...	498,020	1906	...	2,400,771

\* Page 414.

† Cd. 3,524, page 340.

‡ Canadian Trade, 1906, page 701.

Of the sum of \$2,400,771, paid in 1906, not less than \$2,004,338 went to iron and steel in the following proportions :—

Pig iron	...	...	...	\$687,632
Puddled iron bars	...	...	...	5,875
Steel ingots	...	...	...	940,999
Manufactures of steel	...	...	...	369,832

Now, in their effect upon the import trade, these tariffs are equivalent to an enhancement of import duties, and though it is contended that they were awarded in 1899 as compensation for a reduction of tariff rates, this consideration is immaterial. For with regard to the protection consisting of these bounties there is no British Preference. The inevitable effect is to reduce considerably the influence of the Preferential Tariff in enabling British iron and steel goods to enter Canadian markets, for the bounty protects the Canadian producer *equally* against British and American imports. This bounty system is doubtless in some degree responsible for the slight effect produced by the Preference upon British metal imports, as compared with textile imports. First introduced, the bounties were designed to relieve the home producers from the new strain of foreign competition during a period of a few years, and a rapidly descending scale of bounties was arranged. But the "pull" of the interested trades has been able to maintain the full bounty upon the higher grades of manufacture, and greatly to mitigate the fall in the cruder grades, so that the bounties afford a very large measure of additional protection.

Although these bounties were designed merely for the feeding of infant industries, and were planned to disappear in 1907, the usual logic of Protection has been operative here, and the Tariff Law of 1907 provides not merely for their continuance but for a substantial increase.

#### PREFERENCE A MERELY TEMPORARY MEASURE.

Bearing in mind these facts of recent Canadian history—first, the deliberate withdrawal of a portion

of the preference on woollen goods, &c. ; secondly, the effect of the intermediate tariff in lessening the Preference for British importers who compete with foreign importers coming under this intermediate tariff ; thirdly, the growth of the bounty system—it is not possible to believe that Canada intends to increase her Preference. For it is clear that her new manufacturing interests and the politicians who represent them recognise that the use of protective duties to establish and maintain Canadian manufactures is inconsistent with any policy of permanent and efficacious Preferences. As the staple textile and metal industries grow in Canada, the British Preference upon these imports will be withdrawn, by one or other of the devices which have been already employed. And when Canadian or American capital sees its way to develop drugs, earthenware, glass, leather, spirits, and other secondary manufactures of importance, it is improbable that the existing Preference of  $33\frac{1}{3}$  per cent. will be allowed to stand.

It is no doubt true that, for the present, until the full manufacturing development of Canada is assured, Canadian statesmen are prepared to turn over to Great Britain all the import trade they can.

#### WHAT TRADES CAN WE CAPTURE?

When, confining our attention to general figures of Canadian import trade, we mark how, out of 283 million dollars' worth of imports entered for Canadian consumption, only 69 millions are British, we seem to see a vast field of opportunity which Preference might enable us to utilise.

But the size of this opportunity shrivels before closer inspection.

In the first place, it appears that a far larger proportion of American and other foreign imports consist of non-dutiable goods, which Preference cannot affect. The returns for 1906 illustrate this :—

	DUTIABLE.	FREE.
Great Britain ...	\$52,615,725	\$16,568,190
U.S.A. ...	89,540,776	79,257,000
Others ...	30,889,608	14,410,905

But, confining our attention to the dutiable imports from foreign countries, let us ask how much of the \$120,000,000, which at present goes to the United States and other foreign countries, the existing or any other sort of Preference could enable us to take.

In the first place, a very large proportion of these dutiable imports consists of foodstuffs, raw materials of manufacture, and of certain special manufactures in which we cannot seriously compete with the nations now importing them.

Such, for instance, are

					VALUE OF (FOREIGN) DUTIABLE IMPORTS, 1906.
Animals	...	...	...	...	\$1,187,500
Books, periodicals, &c.	...	...	...	...	1,451,251
Breadstuffs	...	...	...	...	2,070,411
Bricks, &c.	...	...	...	...	422,000
Carriages, &c.	...	...	...	...	2,304,073
Coal, coke	...	...	...	...	8,762,615
Coffee	...	...	...	...	706,410
Fish	...	...	...	...	1,996,527
Fruits	...	...	...	...	4,542,183
Oils	...	...	...	...	2,033,800
Provisions	...	...	...	...	2,961,066
Seeds	...	...	...	...	380,000
Settlers' effects	...	...	...	...	7,305,026
Silk	...	...	...	...	460,000
Turpentine	...	...	...	...	597,730
Vegetables	...	...	...	...	730,797
Wood and manufactures	...	...	...	...	2,515,172
					<hr/>
					\$40,426,561

If we knock off these virtually non-competitive imports, the foreign trade remaining open for our competition amounts to 80 million dollars. Now of this 80 millions no less than 32 millions consists of metal imports, chiefly iron and steel from the United States. Seeing that the Preference, tempered by bounties, appears to have had no effect in stopping the increase of pace in the American trade, it seems unlikely that any increase of Preference, consistent with Protection,

can enable us to cut materially into this trade. There are, moreover, other imports, chiefly American, where a monopoly is so firmly established, either by access to superior natural resources, cheapness of transport in heavy goods, superior methods of production, or questions of taste, that no considerable displacement could be effected by a rise of preference. Some of these trades are very large, *e.g.* electric apparatus,  $3\frac{1}{2}$  million dollars; dutiable packages,  $2\frac{1}{4}$  millions; leather goods,  $2\frac{1}{2}$  millions; spirits and wine,  $1\frac{1}{2}$  millions; others, such as watches and clocks, paper, musical and optical instruments, hides and skins, soap, coffee, buttons, brooms, fertilisers, are of quite considerable dimensions. The smaller trades, especially those relating to luxuries and articles of taste, or dependent on some cheap American materials, are in most cases so strongly held that the effects of any preference must be slow and slight.

The most liberal computation of the existing foreign dutiable import trade which might be affected by an increased Preference could hardly exceed \$30,000,000, of which it is reasonable to hold that only a small proportion could be so diverted. Even this assumes that the goods exported to Canada under this preference would otherwise not have been produced or sold at a profit elsewhere, a wholly unwarranted assumption which vitiates all the computations of gains from preferential tariffs.

#### COMPUTATION OF THE WORTH OF PREFERENCE.

The really valid estimate of gains from Preference would be based upon a computation of the higher margin of profits secured by selling goods in Canada under the preferential treatment as compared with the lower margin of profits from selling them in some other market. The notion that these goods (or an equivalent quantity of other goods) would not have been produced or sold at all—in other words, that the preference has enlarged the *aggregate market* for British goods and the *aggregate profits* on British trade to an extent measured by the amount of the



new trade put into British hands—is based upon a total misconception of the nature of trade.

Even assuming that £6,000,000 worth of Canadian trade were diverted from other foreign channels into British hands, this would not imply that an aggregate increase of employment of British capital and labour to this extent had been created. It might only mean that £6,000,000 worth of British goods, which would have been sold in the home trade or in some other foreign market, was diverted into Canada, where the price and the margin of profit had been rendered somewhat higher by the Preference.

Although the Preference at its outset in 1897 received the support of not a few Free Traders in Canada, on the ground that it was at any rate a step in the direction of Free Trade, the history of the last ten years has made it evident that, where Preference interferes with Protection, it goes to the wall. Sir W. Laurier's declaration at the Conference that "We feel strong enough in Canada to give a preference on all our manufactured products," whereas in Australia and New Zealand "they do not feel strong enough," is an unsubstantiated claim of superiority. There is seen to be no intention whatever to allow British manufacturers to enter on a preferential tariff, so as to compete successfully with Canadian manufactures. So long as the Protective policy maintains its hold in Canada, the continuation of Preference must operate so as to cause the ordinary tariff rates to be higher than would otherwise suffice: the preferential duty must be sufficient to protect, the ordinary duty must be excessive.

The present position is quite clearly defined. Canadian Protectionists have no objection to the Canadian consumer paying to British manufacturers a slightly higher price for goods which could be more cheaply got from the United States or Germany, so long as these goods cannot be supplied by Canadian makers. They favour the maintenance of Preference upon such goods.

If, however, the manufactured goods in question, though not competing directly with Canadian products,

should form an important cost of production in some Canadian manufactures, they will not permit the maintenance of preference upon these goods. Still less will they consent to admit British goods which compete with their own. Protectionism, of course, cannot be absolute in a country the revenue of which is largely dependent upon import duties. Government, therefore, is continually disposed to let in even competitive goods at a moderate tariff designed for revenue purposes : but the manufacturing interests continually strive to raise the tariff to the point of prohibition.

#### PREFERENCE FALLS BETWEEN TWO STOOLS.

As we have seen, Preference is consistent neither with a Free Trade nor a Protective policy. It does not even recommend itself to a Government primarily guided by motives of high revenue : for to such a Government it either ranks as a wasteful concession, in cases where the ordinary duty serves to draw the maximum revenue, or it compels the ordinary duty to be placed so high as to kill the goose that lays the golden eggs.

A preferential duty is in the nature of the case precarious and unstable. Of Canadian Preference this must remain particularly true ; for Canada must be considered at present as divided between two possible economic policies. Her present avowed ambition is to become, like the United States, as far as possible a self-supporting state, and, whatever may be the size of the immediate concessions to British imports, there is no probability that such concessions can last, since they are manifestly inconsistent with this larger destiny.

Canada has within her borders all the chief natural sources of supply necessary for a full manufacturing career : raw materials (agricultural and mineral), power, enterprise, and skilled labour ; and the energetic pursuit of this career will be the first concern of those able capitalists who, there, as in the United States, appear likely to control in all essential matters the fiscal policy of the Dominion.

The other policy is to develop that closer industrial

and commercial connection with the United States which natural circumstances designate as her destiny. Although of late political discretion has appeared to involve an ostentatious disavowal of any disposition to seek better trade relations with the United States, this attitude must yield to the plain dictates of common sense. A real identity of interests so strong, that even in the midst of political antagonism the actual growth of commercial intercourse exceeds that with Great Britain, must weave the necessary form of union.

There are two reasons why Canada and the United States must draw into even closer commercial relations. Canadians have large supplies of raw materials which American manufacturers want to buy with an ever-growing pressure of desire : Americans have other raw materials, or similar materials, at points of better access, which Canadian manufacturers and railroads require. Though the interests of unrelated, unorganised consumers may be ignored or flouted, not so those of organised producers—factory owners who want coal, grain, or lumber. All four populated and developing districts along the Canadian frontier adjoin sections of the Republic which, from paucity of natural resources or from growth of population, cannot supply themselves with all the food, materials, and fuel they require : strong capitalist businesses see a clear gain in freedom of exchange for such articles. In Illinois and other mid-western States, still more strongly in Massachusetts and other manufacturing States of New England, is this pressure growing. Thwarted at present by a combination of political circumstances, it bides its time to force forward on the American side proposals of reciprocity which Canada cannot and will not reject, and which, once accepted, will grow into an ever-strengthening economic bond between the two great American nations.

It is idle to ignore this probability and the fact that such a policy must cut across and even overthrow the preferential movement. Canada will, of course, only secure that great neighbouring market by giving the American manufacturers at least an equal chance with the British.

This *rapprochement* will be accelerated by the community of capitalist interests growing up in the two American nations. Though the Canadian tariff has probably not drawn into Canada any larger quantity of American capital than would have entered on a Free Trade basis, it has caused that capital to flow principally into strongly organised industrial enterprises. The invasion of Canada by the great American corporations, the Steel Trust, the Harvester Company, the American Locomotive Works, the Singer Manufacturing Company, the Rand Drill Company, etc., implies a great growing consolidation of capitalist interests that cannot fail to exert an influence upon tariff policy on both sides. It pays the Harvester Trust and others to set up works inside Canada rather than to make for the Canadian market in their American factories machines which will be subjected to a heavy duty. But the larger the Canadian market becomes, and the greater the stake they hold in that country, the more irksome and wasteful will be the double interference of two sets of changing tariffs cutting in two the economic unity of their business. No single force makes so obviously for closer economic relations between Canada and the United States.

But whether we consider the future policy of Canada to lie in the direction of protective self-sufficiency or of closer reciprocal relations with the United States, the instability of the Preferential Tariff is equally involved. The several grades of Preference which have already been tried are seen to have exerted no considerable power to alter the normal channels of trade under the Protective system, nor is there any reason to believe that any substantial increase of Preference is likely to be given, or that, being given, it could divert any large amount of valuable trade from foreign into British hands.

#### NEW ZEALAND PREFERENCE.

We have examined at considerable length the Canadian Preference because that is the only Colonial Preference that has been long enough in operation to afford any full test of its working.

The New Zealand Preference, which came into operation in November, 1903, is not of wide application, as the following statement of Sir Joseph Ward before the Conference\* will indicate:—“ ‘Goods enumerated in the First Schedule to the Act pay double the ordinary duty when of foreign production.’ I may say that cement is the only article which is referred to in the schedule. ‘Under the Second Schedule, foreign goods pay the ordinary duty plus one-half. Among the important articles included in this Schedule are boots and shoes, fancy goods and toys, hardware, hollow ware and iron nails, ironmongery, iron pipes and fittings, pianos, earthenware and glassware. Under the Third Schedule, foreign goods pay a 20 per cent. *ad valorem* duty on certain articles formerly on the free list, whilst British goods are admitted free of duty as heretofore.’ There is a handicap there of 20 per cent. against foreign goods which come into New Zealand without any duty, as compared with British goods. ‘The chief classes of goods included in this Schedule are iron (plain black sheet, rod, bolt, bar, and plate) rails for railways and tramways, and printing paper,’ and the Schedule attached to it shows that since that tariff has been in operation, giving a preference of duty to England as against foreign countries, there has been a very considerable increase in the importation to New Zealand from England on some of the lines, and a diminution from foreign countries.’”

Here we are clearly confronted with a Preference used as an instrument for increasing the stringency of Protection. The Preference is given in some instances by raising the general tariff and leaving the duty upon British imports as before, in other instances by putting foreign imports formerly admitted free upon the Tariff.

The Preference covers about 20 per cent. of British imports into New Zealand. Though it is claimed that in six classes of goods an increased import trade for Great Britain has ensued, the slightness of the influence of the New Zealand Preference is indicated by the following table,† comparing the import trade in 1902, the

\* Page 266.

† Cd. 3,524, page 408.

year preceding Preference, with the subsequent years. The proportions between British and foreign imports remain virtually unchanged.

TOTAL IMPORTS OF MERCHANDISE FROM				
	United Kingdom.	British Possessions.	Foreign Countries.	All Countries.
	£	£	£	£
1902	6,851,000	2,202,000	1,906,000	10,959,000
1903	7,439,000	2,497,000	2,140,000	12,096,000
1904	7,982,000	2,656,000	2,262,000	12,900,000
1905	7,784,000	2,578,000	2,119,000	12,481,000

The following table,\* however, confined to articles of a class now subject to Preferential treatment, appears to yield a somewhat more favourable result.

#### IMPORTS OF A CLASS NOW SUBJECT TO PREFERENCE.

	United Kingdom.	British Possessions.	Foreign Countries.	All Countries.
	£	£	£	£
1902	1,341,000	326,000	580,000	2,247,000
1903	1,507,000	367,000	695,000	2,569,000
1904	1,604,000	436,000	691,000	2,731,000
1905	1,626,000	440,000	572,000	2,638,000

#### SOUTH AFRICAN PREFERENCE.

The first Preference of the South African Customs Union dates from a Convention which took place in August, 1903. A rebate of the whole duty was given to British goods liable to an *ad valorem* duty of 2½ per cent.; on all goods liable to other *ad valorem* duties, or to combined *ad valorem* and specific duties, a rebate of 25 per cent. on the *ad valorem* part was given. No preference was given upon specific duties.

In May, 1906, a new Customs Convention came into force, granting rebates to certain articles subject to specific duties, as well as continuing the rebates on articles subject to *ad valorem* duties. The general result is a rebate of about 3 per cent. *ad valorem* on

\* Cd. 3,524, page 408.

both classes of imports. The granting of this rebate on specific duties has, however, generally been accompanied by an equivalent rise in the specific duties in question, and in some instances (*e.g.* blasting compounds, candles, grain and fodder) the rise of specific duties has been so great that, allowing for the rebate, the tax on British imports is greater than before. The specific duties on other articles not allowed rebate (*e.g.* second-hand clothing, spirits, and tobacco) have been increased. Other articles previously charged 25 per cent. *ad valorem* with a rebate of  $6\frac{1}{2}$  per cent. under the combined list, have now been transferred to the purely *ad valorem* list with a rebate of only 3 per cent.

“The general *ad valorem* rate has been raised from 10 per cent. to 15 per cent. *ad valorem* with a rebate of 3 per cent. instead of  $2\frac{1}{2}$  per cent. *ad valorem* on British goods, the result being, so far as goods subject to the “unenumerated rate” are concerned, that the rates for British and foreign goods are 12 per cent. and 15 per cent. respectively, as against  $7\frac{1}{2}$  per cent. and 10 per cent. previously in force.”\*

The net result of these changes appears to be a distinct diminution in the value of the Preference, not compensated by the fact that a certain number of articles previously on the free list (*e.g.* agricultural implements and machines, unwrought metals and leather) are now subjected to a 3 per cent. *ad valorem* tax, remitted to Great Britain.

Here, as in Canada and New Zealand, the Preference is worked mainly by raising duties upon foreigners, not by reducing them on the Mother Country.

The countries constituting the South Africa Customs Union are Cape Colony, Natal, Bechuanaland Protectorate, Basutoland, Orange River Colony, Transvaal, Swaziland, and South and North-West Rhodesia.

The actual duty *ad valorem* is 15 per cent. to 25 per cent. for cotton and woollen goods (except where used

\* Cd. 3,529, page 396.

as materials in manufacture), and 10 per cent. for iron and metal goods (except where used for materials, when they are imported free or at 3 per cent.).

In substance this Preference is probably a larger one than that of the other Colonies, partly because it places in the free list a number of British manufactures formerly taxed 3 per cent., but chiefly because, unlike the New Zealand and Australian preferences, it extends to the great staple trades and covers about 61 per cent. of the total imports into Cape Colony, *i.e.* 53 per cent. from the United Kingdom, and 8 per cent. from the reciprocating Colonies.

The disordered state of South African commerce during recent years makes it very difficult to conjecture the value of the rebate of 1903, still less that of 1906.

The general current of trade for the last four years has, however, been slightly favourable to Great Britain, and some part of this result may be accredited to the Preference.

TOTAL IMPORTS OF MERCHANDISE.\*

—	From United Kingdom.	All British Possessions.	Foreign.	Total.
	£	£	£	£
1902 ... ..	29,248,000	4,730,000	10,675,000	44,653,000
1903 ... ..	30,070,000	3,742,000	14,284,000	48,096,000
1904 ... ..	20,294,000	3,784,000	7,722,000	31,800,000
1905 ... ..	18,253,000	4,553,000	6,649,000	29,455,000

On the other hand, it must be remembered that Great Britain already holds, and has always held, a practical monopoly of a large share of the import trade into South Africa. If to the estimate of foreign imports given in the Table above we add the goods that come through Delagoa Bay into the Transvaal, we get an aggregate of 8½ millions only out of a general import trade of some 35 millions. Of this 8½ millions about half consists of food and drink and raw materials upon which the effect of the

\* Selected from Table I., page 398, Cd. 3,524.



Preference is virtually *nil*. Of the  $4\frac{1}{2}$  millions of foreign manufactured goods, it seems possible that a sufficiently large preference might divert a certain share, *e.g.* textile goods and machinery, from Germany and the United States, whose trade has been large in recent years. But it is unlikely that a 3 per cent. *ad valorem* preference would go very far in this direction. Moreover, it must not be forgotten that it has been and will remain the policy of South Africa to keep a large free list, and especially to keep upon it many classes of manufactured goods required for the equipment of mines and factories. Finally, it may fairly be assumed that out of the  $4\frac{1}{2}$  millions in question no inconsiderable part consists of luxuries, articles of taste, and special tools and machines, in which, even aided by a preference, we cannot effectively compete with foreign importers.

#### AUSTRALIAN PREFERENCE.

The Australian offer of Preference, contained in the Resolution of 1906, to which the British Government refused assent, was described by Mr. Deakin as "an overture from us which is not to be regarded as a bid, but as a suggestion of friendly negotiation."

As in the case of New Zealand, the proposal took the form, not of a reduction upon existing duties in favour of British goods, but of an increase of duties upon foreign goods. It was applicable only to about 8 per cent. of British imports,\* and was made upon conditions which, even if they could have been accepted, would have reduced to still smaller dimensions the size of the offer.

The proposal was to increase by 10 per cent.,  $7\frac{1}{2}$  per cent., and 5 per cent. the duties already levied upon certain classes of imports "not imported direct from the United Kingdom in British ships manned throughout by white crews, and guaranteed to be the produce or manufactures of the United Kingdom."

The classes of goods to which this Preference nomin-

\* Cd. 3,523, page 315, and Cd. 3,524, page 416.

ally applies are: (1) Arms, ammunition, fuzes, and dynamite; (2) painters' colours and materials; (3) boots and shoes; (4) plated ware; (5) pickles, sauces, and condiments; (6) bicycles and parts; (7) cutlery; (8) furniture; (9) starch and blue; (10) woodware; (11) clocks and watches; (12) gas and oil engines and turbines.

The total average annual value of these imports for 1901-05 (with the exception of class 12, not given in the Annual Statement of Trade) amounted to £1,539,000 out of a total average annual import trade from Great Britain amounting to £18,271,705. In other words, the Preference is applicable to about one-twelfth of our imports into Australia.

Excluded from the Preference are the six largest classes of British imports, viz. cotton and woollen goods, apparel, iron, machinery, British and Irish spirits.

Mr. Asquith thus\* estimates the value of this Preference (irrespective of the conditions attached to it):—

“What is the amount of foreign trade which conceivably, supposing it had its full effect, it would enable the British importer to capture from the foreigner? The precise amount put down is £928,000. If you allow 10 per cent., which I should think was a very fair figure, as the profit that might reasonably be expected to be made, if you secure the whole of that £928,000 of foreign trade, the net result of this would be a possible profit of somewhere between £90,000 and £100,000 to the British importer there and to the exporter here, that is, on a trade that amounts to 20¼ millions at this moment.” In other words, the maximum gain that could accrue to our side of the transaction is some £50,000.

But this gain takes no account of the conditions. The goods, in order to secure the Preference, must be British produce, carried in British ships manned entirely by white crews. Now, quite a considerable part of several of the classes of goods to which the Preference applies consists of re-exports of foreign or

\* Report, page 315.

Colonial produce. About one-seventh of the largest class—viz. arms and ammunition—consists of foreign goods; and three-fourths of another (smaller) class—viz. clocks and watches—falls under the same excluding condition.

Finally, the all-white-crew condition virtually invalidates the whole Preference, for its acceptance would involve an expensive reorganisation of the entire Pacific trade, which could not be entertained.

The triviality of the Australian offer is thus transparent. Not merely is no reduction made in any duty previously imposed on British imports, but upon British re-exports and upon all goods of the specified classes not carried in all-British ships a higher duty than before is imposed. An examination of the classes selected for "preference" makes it certain that in Australia, as in New Zealand, the tariff policy is dominated by a protective motive which negates the possibility of any truly efficacious preference.

A preference on the staple textile and metal trades, which are our largest and most profitable exports to Australia, would have been a more attractive offer. Why was it not given? Why was the Preference confined to this 8 per cent. of minor manufactures?

The answer to these questions is plain. No preference can be granted which enables British goods to compete on equal terms with Australian manufactures. The large handicap of freight is not regarded as sufficient: where Australian manufactures are concerned, the Mother Country ranks as a mere foreigner, to be kept out by the same duties as are set upon American or German goods that seek to enter her market. The reason why textile and clothing trades, and metals, machinery, etc., are excluded from preference is simply that these are the two groups of Australian manufactures that are most developed and best organised. Though both textile and metal trades are small in actual bulk, employing respectively 53,000 and 37,000 in 1903,\* and can only produce a small number of the various textile and metal goods, present jealousy and

\* Coghlan, Statistical Account, page 962.

future ambition conspire to make them bring political pressure to exclude from the preferential lists the only British imports to which preference might be of some considerable value. Though Mr. Deakin describes this proposal as a "forerunner," these facts indicate the difficulties which the Protective policy, even in a new country with small, undeveloped manufacturing interests, places in the way of any really valuable preference.

The same dilemma confronts our sanguine Preferentialists in each Colonial instance. Either Free Trade will triumph, in which case no duties exist upon which effective preference can be given, or Protection is maintained in Colonies whose manufactures will exhibit a constantly increasing power to exclude from the Preference those very classes of British imports to which preference would be really valuable. At present the accepted policy of Australia is protective, and Preference, so far from signifying a move towards Free Trade by lowering the barrier so as to admit British goods on easier terms than before, merely signifies a raising of the barrier against foreign goods.

Discussing the fiscal issue as set before Australia at the last General Election, Mr. Deakin said: "There are two issues; the first issue, as we put it, was Protection." Mr. Lloyd-George: "A higher tariff!" Mr. Deakin: "Yes; because without the tariff we do not get the opportunity of preference. We mentioned preference second in order of importance. In logical order we say Protection and preferential trade."\*

Now, it never seems to occur to Mr. Deakin that there is every difference in the world to the British manufacturer between a preference by lowering present British duties and a preference by raising foreign duties. For, while the latter means, at most, the chance of getting some part of a market held at present by the foreigner, the latter means an indefinite expansion of British imports through the fall of price to Australian consumers ensuant upon the reduction of tariff.

It is not too much to say that, whatever the worth

of a Colonial preference may be, it is almost destroyed when the preference is given, as has been the case in almost every instance, by raising duties on foreign imports instead of reducing them on British.

#### SUMMARY OF VALUE OF PREFERENCES.

We may best summarise this examination of the present and prospective value of Colonial Preferences by quoting the following table\* giving the values of manufactured goods imported into the self-governing Colonies, in 1904,† from other parts of the British Empire and foreign countries, respectively :—

	British Empire.	Foreign Countries.
Australia ... ..	£21,004,000	£6,762,000
New Zealand ... ..	8,256,000	1,622,000
Canada ... ..	10,655,000	18,912,000
Newfoundland ... ..	593,000	253,000
Cape of Good Hope	12,256,000	2,265,000
Natal ... ..	5,094,000	1,507,000
	£57,858,000	£31,321,000

Add to this total another three-quarters of a million, estimated for the Transvaal (*viâ* Delagoa Bay), and the whole value of foreign imported manufactures which the Preferential Tariff is designed to divert to the Mother Country amounts to about £32,000,000, more than half of which is Canadian. Our analysis of Canadian trade led us to the conclusion that the most liberal preference would not be likely to secure to us more than one-third of this foreign trade, and if we were to apply this estimate to the foreign trade with the other Colonies we should probably be taking a too favourable view of the possibilities of the power of preferences to influence trade. It seems extremely unlikely that more than £10,000,000 worth of existing foreign trade could

\* Cd. 3,328, pages 55 and 56.

† The figures for 1905 are incomplete owing to a change in classification for Cape Colony and Natal.

be turned from foreign into British channels by any scale of preferences, even were Preference to rank first and Protection second as a fiscal motive with the Colonies. In order to secure this possible increase of £10,000,000 in the value of our Colonial trade, we are invited to dislocate the entire Free Trade system in its application to our import trade of £563,000,000.

## CHAPTER III.

### THE CASE OF INDIA.

HAVING regard to the attempt made by certain of the Colonial Premiers to press upon the Imperial Government a system of preferential tariffs as the chief instrument of an attempt to make the Empire a self-sufficing economic federation, the fact that no member of the Conference represented India, the country containing five-sixths of the entire population of the Empire, is deserving of consideration. The President of the Conference, Lord Elgin, may be considered to represent not only the Mother Country in her relations to the self-governing Colonies, but also the Crown Colonies and Protectorates. But the Secretary of State for India, though present, was not a member of the Conference, nor was Sir J. L. Mackay, who held a sort of watching brief, and was permitted to state the Indian case on Preferences. The significance of this omission is very apparent throughout the proceedings. The Premiers of the self-governing Colonies spoke and thought and acted as if their territories, together with the British Isles, constituted the Empire; and when they supported the constitution of an "Imperial" Conference, in which they met the British representatives as "Governments with Government," they never seemed to realise that such liberty as they imputed to the Mother Country to make new tariff arrangements could never be the liberty which they enjoyed, because Great Britain must have regard not merely to her own interests but to those of the "unfree" portions of the Empire.

The same consideration precludes the practical

“equality,” which some of them were disposed to assert: the magnitude and variety of interests in India and the other non-self-governing portions of the Empire must always give to Great Britain the position of predominant partner in any body fully representing the interests of the Empire, whether for politics, for commerce, or for defence.

The fact that India has no real voice in these Imperial Conferences imparts an air of unreality to them, regarded as an instrument for consolidating the forces of the Empire, of which she is by far the most important section. Not merely does the Indian population outnumber twenty-fold that of the entire body of self-governing Colonies, but the size and peculiar nature of her over-sea trade give her an eminent right to consideration in any tariff policy which either she or the Mother Country may be invited to adopt.

If Great Britain were, at the bidding of the self-governing Colonies, to adopt tariff changes injurious to foreign countries who might seek to retaliate on India, the magnitude of her foreign export trade would expose her to the gravest injury; while, on the contrary, as Sir J. L. Mackay pointed out, “India has practically nothing to gain by the adoption by the Empire of a system of tariffs discriminating against the manufactured products and food stuffs of foreign countries.”\*

The balance of Indian trade with Great Britain is such that on such schemes of Preference as are usually proposed India would be a heavy loser. “Not only do the exports of India consist chiefly of commodities which are not likely to receive a preference in the tariff arrangements of the United Kingdom, but they go for the most part to foreign countries. On the other hand, three-fifths of the total import trade of India is the produce of the United Kingdom, and the goods belong to classes to which a discriminating tariff could be effectively applied. It is estimated that a third of the goods which the United Kingdom sends to India are exposed to the competi-

\* Cd. 3,523, page 300.



tion of foreign countries. India, therefore, has obviously much more to give under a preferential scheme than she can receive under such an arrangement." \*

This statement is powerfully supported by a Memorandum contributed by the India Office to the Conference, containing the following summary of trade relations in 1905 between India and outside countries :—

	Imports into India.	Per cent.	Exports from India.	Per cent.
<i>(1) The British Empire :—</i>				
	£		£	
The United Kingdom ..	45,852,000	67½	26,663,000	25
The Crown Colonies ...	3,907,000	5	10,220,000	9½
The Self-Governing Colonies	600,000	¾	2,676,000	2½
<b>Total</b> ...	<b>50,359,000</b>	<b>73¼</b>	<b>39,559,000</b>	<b>37</b>
<i>(2) Foreign Countries :—</i>				
Europe ... ..	11,430,000	16¾	28,547,000	27
Asia ... ..	5,120,000	7½	23,957,000	23
Africa ... ..	84,000	¼	2,897,000	3
America ... ..	1,507,000	2¼	10,525,000	10
<b>Total</b> ..	<b>18,141,000</b>	<b>26¾</b>	<b>65,926,000</b>	<b>63</b>
<b>Grand Total</b> ... ..	<b>68,500,000</b>	<b>100</b>	<b>105,485,000</b>	<b>100</b>

The two facts which stand out conspicuously in this table are : first, the large proportion of the total import trade with India which Great Britain already possesses, and the correspondingly small proportion of advantage which any Preference on the part of India could secure for her ; second, the large proportion of the export trade which India does with foreign countries, and the correspondingly large damage which a disturbance of her present friendly commercial relations with these countries might entail.

As regards imports from our manufacturing com-

petitors, there is very little trade that we could hope to take from them by any Preference India might give us. Three European countries send imports valued at between two and three millions each, viz. Austria, Belgium, and Germany, most of which trade lies in the small by-ways of commerce; the United States sends her nothing of account. No considerable gain could accrue to Great Britain from Preference.

On the other hand, India does a large and a rapidly expanding export trade with many foreign countries, consisting chiefly of raw materials for manufacture, such as oilseeds, raw jute, raw cotton, and rice. Three-quarters of her seed crop and nearly three-quarters of her cotton goes to the Continent of Europe, and "the Continental demand for these commodities is important and would be difficult to replace."\* Not only these markets, but the important Asiatic and American markets for her tropical produce would be exposed to injury, were she to abandon her virtually Free Trade system, and impose taxes upon foreign goods in order to give a Preference to Great Britain.

The only method in which a show of fairness to India could obtain would be one which gave her the liberty of imposing a protective tariff on all imported manufactures with a discrimination favourable to Great Britain. Chiming in, as this proposal would, with the sympathies of the people, and possibly with the conveniences of the public revenue, Protection would be likely to accompany Preference as it does elsewhere, and a huge free market, the largest we possess outside our own confines, would be taken from us.†

The growth of the Indian export trade has been very great during recent years, and is of the utmost

\* Cd. 3,524, page 455.

† "There is no doubt," said Sir J. L. Mackay, "that if a preferential policy were adopted which admitted of the establishment of protective tariffs by Great Britain, proposals in this direction would be put forward and pressed by Indian manufacturers. They would claim the same right to protect their manufactures as the Colonies enjoy, and it would be difficult to offer an opposition to so logical a course" (page 301).

importance to Great Britain, not merely as a buyer of Indian goods, but as the creditor of India upon an enormous scale. India's ability to pay her debts and her interest depends chiefly on her exports. Any change of policy which, provoking retaliation, damaged her foreign markets, would therefore recoil heavily upon us. Nor is the fear of retaliation so idle as is sometimes alleged. Though most of the Indian exports to foreign countries are foodstuffs and raw materials, there are very few in which she enjoys an effective monopoly, and where she would not run a risk of being ousted from markets she possessed by some competitor.

In a war of tariffs, to which any adoption of a preferential tariff with Protection against foreigners might lead, it might very well pay a foreign Government, aware of the peculiar nature of the economic bonds between Great Britain and India, to strike a blow at the former through the trade of the latter, even though there were some repercussion from the blow.

## CHAPTER IV.

### THE ILLUSION OF A SELF-SUFFICING EMPIRE.

#### THE QUESTIONS OF FACT.

SUPPOSE that it appeared possible by some gradual and not too revolutionary tampering with our policy of free imports to exchange so much of our present foreign trade for Imperial trade that, on the one hand, we substituted two-sided Free Trade within the Empire for one-sided Free Trade with the world, while, on the other hand, we could supply all the chief material needs of the population of the Empire from the natural and human resources of the Empire: such a policy, if not finally convincing, would at least be plausible. If, by a little tinkering with tariffs, we could get all the foods and raw materials we require from our Colonies and possessions, upon cheap and reliable terms, while they furnished a full and secure market for all our important manufactures, it is probable that no accepted theories of international trade would be allowed to stand in the way of this Imperial experiment. Indeed, if the current of trade running on natural lines were making so fast in the direction of Imperial self-sufficiency that a little fiscal aid might relieve us from our present dependence upon foreigners for supplies which our Colonies were capable of putting in our markets, there might be some disposition to hasten by artificial means the earlier and fuller attainment of an ideal of Imperial self-sufficiency. This, at any rate, would be sailing with the tide, and, by an extension of the "infant industries" argument, might be represented as assisting us to realise more rapidly

our "destiny" by removing a certain inertia of habit which kept our trade in certain outworn and unprofitable grooves. But what are the facts? Is our inter-Imperial trade so superior in its size and value that we can afford to ignore our dependence upon foreign nations? Is it growing so fast in relation to foreign trade that a little fiscal aid will secure Imperial self-sufficiency? Is the predominance of our trade with the self-governing Colonies such that we cannot afford to ignore their request that we should revolutionise our fiscal system in their interests and ours?

The answer to each of these questions is a negative so crushing and so conclusive that it is difficult to believe that any reader who has faced the figures upon which it is based can any more entertain the possibility of realising the economic dream of this Imperialism.

The actual relative importance of our British trade with the self-governing Colonies, the other Colonial possessions, and foreign nations is best conveyed by the following diagram (page 68) constructed by Mr. H. Morgan-Browne upon the trade statistics of 1905.

It cannot seriously be supposed that any tariff arrangement can enable us to dispense with that foreign trade which constitutes more than three-quarters of the aggregate of our oversea trade.

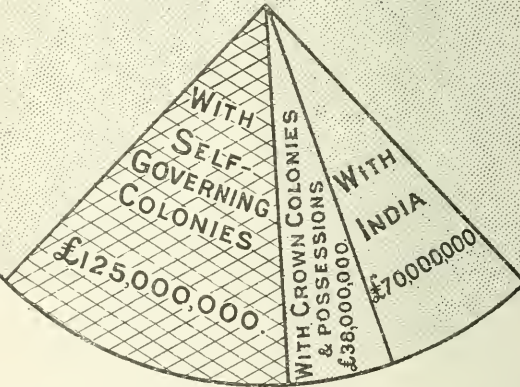
Breaking this aggregate of trade into imports and exports, we find that during the quinquennial period 1900-04 the proportion of our imports from foreign countries was 79.2 per cent., from British possessions 20.8 per cent., while the proportion of our exports to foreign countries was 62.7 per cent., to British possessions 37.3 per cent.\*

To procure the economic self-sufficiency that is desired, we are invited to believe that the Empire, which at present supplies us with a trifle over one-fifth of what we need to buy abroad, can easily and conveniently supply it all, while the Imperial markets, which at present take less than two-fifths of what we sell, can take and pay for all. Our dependence upon foreign nations for buying and for selling is so much greater than our

\* Cd. 3,524, pages 208-212.

dependence on our Colonies as to render obviously impracticable any such Imperial self-sufficiency as is suggested. To disturb our relations with the customers with whom we do three-quarters of our trade, in order

WITH  
FOREIGN COUNTRIES  
£676,000,000.



to improve our relations with those that represent the other quarter, would be a manifest act of folly.

#### WHY WE BUY FROM FOREIGNERS.

We buy three-quarters of our imported goods from foreigners, not because we prefer to deal with foreigners

—rather the contrary. Other things—*i.e.* prices, qualities, distances, reliability of supply—being equal, we tend to give a preference to Colonial supplies, a preference in which community of language and personal relations support the sentiment of the flag. We only buy these goods from foreigners either because our Colonies do not produce them at all or because the foreign products are better, cheaper, easier of access, more reliable, or in other ways better accommodated to our needs.

The common notion that the Colonies could provide most of these goods quite as well and as cheaply is based upon loose thinking, to which it is a sufficient reply to ask, “ Why, then, with the sentimental preference just alluded to, do they not provide them now? ”

No! It is manifest that if by any sort of fiscal jugglery we could displace this foreign by Colonial trade, we should have to pay more for worse articles.

Nor is that all. A nation like ours, depending for its work and life upon the large regular intake of various foods and raw materials, must be able to *rely* upon getting them in large, regular, and increasing quantities. This reliance is best established by keeping open full connections with the largest possible variety of sources of supply ; for in this way best do we eliminate the influence of climatic and other natural or political accidents affecting the supplies. Droughts or diseases cutting off some supply of vegetable or animal product, political troubles or wars stopping industry or stifling export trade, sudden growth of demand for domestic uses absorbing the whole supply ; these and other causes may interfere at any time with the supply from some single source. To narrow the sources of supply is evidently to increase the risk.

To bind ourselves in any way and to any degree to Canada, Australasia, South Africa, or even to the Empire as a whole, for our imported supplies of such essentials as cotton, wool, wheat, meat, sugar, so as to reduce our facility of recourse to the foreign markets with which we deal so largely now, would be to increase generally the precariousness of our national life.

The Fiscal Blue-book (Cd. 1,761) contains a table

illustrating our dependence upon other countries for the first requisite of life—wheat and wheat-flour—during the quinquennial period 1898-1902 :—

Sources of Supply.	Quantity Mean of 1898-1902. Cwts.	Per- centage Pro- portion.
British Colonies and Possessions	19,033,634	19.0
Europe (including Turkey) ...	8,760,208	8.8
United States ... ..	62,306,884	62.2
South America ... ..	9,711,874	9.7
Other Countries ... ..	290,062	0.3

A comparison with the quinquennial period 1871-5 shows that the aggregate average annual imports of wheat had just doubled in the quarter of a century. This means, of course, that, though during that period there had been a large increase, not merely in the actual quantity, but in the proportion of the supply drawn from the Empire, the average amount of wheat which we had to take from foreign countries had also greatly grown. During the last four years the Imperial supply, especially from Canada, has greatly grown, so that the one-fifth of 1898-1902 has grown to over one-third. Nevertheless, when we are regarding the possibility of becoming a self-sufficing Empire, it is to the absolute rather than the relative amount of our dependence upon foreign wheat that we must look. Notwithstanding the great development of wheat-fields in Canada, Australia, and India, so great has been the growth of our dependence upon imported food \* that a larger number and even a larger proportion of our population are dependent upon foreign wheat for their food supply than was the case a generation ago.

\* WHEAT, HOME PRODUCTION AND IMPORTED, PERCENTAGE.

	1885-87.	1890-92.	1895-97.	1900-02.
Home ... ..	33.8	29.8	21.7	22.5
Imported ... ..	66.2	70.2	78.3	77.5

\* Cd. 1,761, page 108.



Moreover, the gravest of the risks involved in the wild proposal that we should rely upon the Imperial supply of wheat is often overlooked. The strength of a chain is determined by its weakest link, the scarcity of a food supply by its leanest year. Although in normal years we are receiving large supplies from India, Australia, and New Zealand, we can have no reasonable certainty that one or more of these supplies will not fail us any year. In 1897 no wheat came from Australia and New Zealand, and a very trifling quantity was exported from famine-racked India; in 1896 there was nothing from Australia and New Zealand and a short supply from India; in 1903 Australia again had no wheat to send. To invite us, therefore, to rely upon the Empire for our imported wheat is to tie us to Canada alone in a lean year, like 1897, or, more strictly, to Manitoba and the new North-West, for the older provinces send us no wheat.

What applies to wheat applies with even greater force to other cereal foods and to meat. Though the Empire is constantly increasing the proportion of its contribution to our meat supply, the growth of our dependence on imported meat is such that the need of foreign supplies is greater than ever.

A paper\* presented to the Colonial Conference thus exhibits the size of our dependence upon foreign and Imperial supplies of food, drink, and tobacco during the last five years :—

Imports of Food, Drink, and Tobacco.	1901.	1902.	1903.
	£	£	£
Foreign Produce ...	183,274,000	181,054,000	181,677,000
Imperial Produce ...	41,448,000	43,350,000	50,608,000
Total ... ..	224,722,000	224,404,000	232,285,000
Percentage of Imperial Produce ... ..	18	19	22

\* Cd. 3,524, page 234.

Imports of Food, Drink, and Tobacco.	1904.	1905.	1906.
	£	£	£
Foreign Produce ...	174,957,000	172,913,000	179,650,109
Imperial Produce ...	56,445,000	59,205,000	58,508,047
Total ... ..	231,402,000	232,118,000	238,158,156
Percentage of Imperial Produce ... ..	24	26	24·6

Though these figures show a satisfactory rate of increase during recent years, it remains not the less true that the Colonies are at present only able to supply a little over a quarter of our food demand. The proportion of our raw materials supplied by the Empire is slightly higher, viz. 28 per cent. in 1905, while manufactured and semi-manufactured goods are only of Imperial origin to the extent of 11 per cent.

A more detailed analysis of this return shows that for our supply of wood and timber, iron ore, cotton, oils, hides, and other materials of our manufactures we are dependent to an overwhelming extent upon imports from foreign countries.

Such being the actual condition to-day, the notion that a little effort of pulling together and fiscal co-operation can convert us into a self-sufficing Empire is seen to be chimerical.

#### NO NATURAL TREND TOWARDS IMPERIAL SELF-SUFFICIENCY.

A study of the tendencies of the last half-century makes it evident that the natural play of mutual self-interest is not drawing Great Britain closer to the Colonies so far as volume of trade is concerned. The proportion both of our import and our export trade with our Colonies and other possessions has remained unaltered, though during this period considerable slices of the earth have passed from the position of foreign to British territory.

From the tables\* presented to the Conference we have extracted the following list of percentages which establish this important fact. It will be observed that the figures both of imports and of exports bear almost identically the proportion in 1906 which they bore in the first quinquennial period 1855-9.

#### IMPORTS INTO GREAT BRITAIN.

			Per cent. from Foreign Countries.	Per cent. from British Possessions.
1854	...	...	77.6	22.4
1855-9	...	...	76.3	23.7
1860-4	...	...	71.2	28.8
1865-9	...	...	76.0	24.0
1870-4	...	...	78.0	22.0
1875-9	...	...	77.9	22.1
1880-4	...	...	76.5	23.5
1885-9	...	...	77.1	22.9
1890-4	...	...	77.1	22.9
1895-9	...	...	78.4	21.6
1900-4	...	...	79.2	20.8
1905	...	...	77.3	22.7
1906	...	...	76.6	23.4

#### † EXPORTS FROM GREAT BRITAIN.

			Per cent. to Foreign Countries.	Per cent. to British Possessions.
1854	...	...	68.6	31.4
1855-9	...	...	71.5	28.5
1860-4	...	...	72.5	27.5
1865-9	...	...	76.7	23.3
1870-4	...	...	77.6	22.4
1875-9	...	...	71.9	28.1
1880-4	...	...	70.6	29.4
1885-9	...	...	70.0	30.6
1890-4	...	...	71.2	28.8
1895-9	...	...	70.6	29.4
1900-4	...	...	67.5	32.5
1905	...	...	69.7	30.3
1906	...	...	71.3	28.7

\* Cd. 3,524, pages 207-212.

† This table refers to total exports, including re-exports of Colonial and foreign produce. Another table (page 211), giving Exports of United Kingdom Produce only, does not alter the effect. The percentage to British Possessions was 34.8 in 1854, 33.3 for the first quinquennium 1855-9, and 32.8 for 1906.

Finally, pooling our import and export trade, we find that the proportion of our foreign to our inter-Imperial trade, as illustrated by the statistics of the last fifteen years,\* is virtually fixed.

## PERCENTAGE PROPORTIONS OF

	1891.	1892.	1893.	1894.	1895.	1896.	1897.	1898.
Foreign Trade	75.5	75.3	75.3	74.7	75.2	75.8	75.4	75.4
Inter-Imperial Trade ...	24.5	24.7	24.7	25.3	24.8	24.2	24.6	24.6
	1899.	1900.	1901.	1902.	1903.	1904.	1905.	
Foreign Trade ...	74.8	75.7	74.8	74.1	73.7	73.3	74.1	
Inter-Imperial Trade	25.2	24.3	25.2	25.9	26.3	26.7	25.9	

These statistics establish beyond all question the fact that there exists no drive of economic interests impelling us to increased dependence on Imperial trade.

Now let us ask how it is with that portion of Imperial trade which we do with the self-governing Colonies. Is our trade with them increasing so fast as to give them a stronger claim to dictate, or even to suggest, to us a change of fiscal policy?

TOTAL VALUE OF IMPORTS FROM SELF-GOVERNING COLONIES (INCLUDING BULLION, SPECIE, AND CAPE DIAMONDS) INTO UNITED KINGDOM. †

	Imports from all Sources.	Imports from Self-Governing Colonies.	Percentage of Imports from Self-Governing Colonies to total Imports.
1891	£479,110,090	£57,437,602	11.9
1892	459,928,679	58,320,458	12.6

\* Statistical Abstract for the British Empire. Cd. 3,328, page 5.

† Constructed from Tables Cd. 3,328, pages 58-9; Cd. 3,092, pages 78, 204-215.

	Imports from all Sources.	Imports from Self-Governing Colonies.	Percentage of Imports from Self-Governing Colonies to total Imports.
1893	£445,135,884	£59,135,884	13.2
1894	449,910,527	62,167,522	13.8
1895	468,119,404	66,543,750	14.1
1896	485,205,766	63,869,559	13.2
1897	504,305,169	78,167,643	15.5
1898	533,469,277	80,278,988	15.0
1899	534,412,651	80,455,549	15.0
1900	566,021,972	68,623,999*	12.1*
1901	568,084,546	68,059,766*	12.0*
1902	565,164,009	73,569,650	13.0
1903	586,950,529	83,820,544	14.3
1904	601,944,352	86,222,925	14.3
1905	623,241,783	97,666,783	15.6

TOTAL VALUE OF EXPORTS TO SELF-GOVERNING COLONIES FROM UNITED KINGDOM (INCLUDING BULLION AND SPECIE).

	Exports to all Countries.	Exports to Self-Governing Colonies.	Percentage of Exports to Self-Governing Colonies.
1891	£346,342,509	£44,815,996	12.9
1892	321,550,856	38,726,842	12.1
1893	310,230,288	37,009,165	11.9
1894	301,597,467	34,731,167	11.5
1895	317,559,166	43,127,836	13.6
1896	341,551,273	46,949,580	13.7
1897	343,783,677	44,725,938	13.0
1898	346,227,689	44,378,606	12.8
1899	365,025,842	50,231,996	13.7
1900	386,345,793	56,543,137	14.6
1901	373,879,370	58,920,205	16.0
1902	375,358,985	66,186,854	17.6
1903	399,606,910	65,678,668	16.3
1904	417,318,153	58,688,721	14.2
1905	452,988,046	58,745,996	12.9

\* Stoppage of South African imports.

Although the general tendency as expressed in these figures is towards a slight, though irregular, increase in the relative importance of the trade bonds between Great Britain and the self-governing Colonies, more marked in our import than in our export trade, it cannot be asserted that the part they play in our Imperial economy is such as to entitle them to bring authoritative pressure upon us to revolutionise our fiscal policy either in their interests or in that of the Empire as a whole.

These Colonies are not, individually or collectively, in a position to guarantee to supply us with any of those prime articles of food and raw materials, the bulk of which we draw at present from foreign countries; neither can they show any early probability of such increase of population and demand as will provide a Colonial market equivalent in size, value, or stability to the foreign markets in which at present we sell most of our export goods.

Indeed, if we turn to the tendency of the last few years, we find reason to believe that the self-governing Colonies are less promising markets for our manufacture than formerly appeared. For during the last five years, while our exports of British produce to foreign countries show a notable expansion, and our exports to India and certain other possessions have advanced considerably, the sales in the self-governing Colonies as a whole are stagnant.

When the Premiers of self-governing Colonies urge upon us the adoption of Colonial preferences in order to secure the large and growing markets which they can provide, it is not unnatural that we should point to these figures as indicative that the preferences which they are giving are unable even to secure to us the share of the Colonial markets which we had obtained already.

The whole situation, regarded from the standpoint of the interests of British trade, is best summarised in the following Tables, composed out of materials furnished to the Conference, setting forth the dimensions of an import and export trade with our Colonies and with Foreign Countries during the five years 1901-5 :—

## \* IMPORT TRADE OF UNITED KINGDOM (1901-05).

From	1901.	1902.	1903.
	£	£	£
Self - governing Colonies ... ..	60,331,874	59,879,316	63,590,934
India ... ..	27,391,734	28,724,006	32,304,747
Other Colonies and Possessions ...	17,961,272	18,313,135	17,775,111
<b>Total, British Posses- sions ... ..</b>	<b>105,684,880</b>	<b>106,916,457</b>	<b>113,670,792</b>
Total, Foreign Countries ... ..	416,305,318	421,474,817	428,929,497
<b>Total, all Sources ...</b>	<b>521,990,198</b>	<b>528,391,274</b>	<b>542,600,289</b>
Percentage, British Possessions ...	20	20	21
Percentage, Self- governing Colonies (to Total from all Sources) ... ..	11 5	11 3	11 71
From	1904.	1905.	
	£	£	
Self - governing Colonies ... ..	64,905,604	72,105,866	
India ... ..	36,472,636	36,062,291	
Other Colonies and Possessions ...	18,640,166	19,700,569	
<b>Total, British Posses- sions ... ..</b>	<b>120,018,406</b>	<b>127,868,726</b>	
Total, Foreign Countries ... ..	431,020,222	437,151,191	
<b>Total, all Sources ...</b>	<b>551,038,628</b>	<b>565,019,917</b>	
Percentage, British Possessions ...	22	23	
Percentage, Self- governing Colonies (to Total from all Sources) ... ..	11 78	12 7	

\* From Cd. 3,424, pages 234, 239, &amp;c.

## TOTAL EXPORTS (PRODUCE OF UNITED KINGDOM).

To	1901.	1902.	1903.
Self - governing Colonies .. ..	£ 52,253,838	£ 60,364,758	£ 59,228,002
India ... ..	34,978,126	32,681,979	34,477,099
Other Colonies and Possessions ...	17,641,857	16,045,119	17,371,763
Total, British Possessions ... ..	104,873,821	109,091,856	111,146,864
Total, Foreign Countries ... ..	175,148,555	174,332,110	179,653,244
Total, all Destinations ... ..	280,022,376	283,423,966	290,800,108
Percentage, British Possessions ... ..	37	38	38
Percentage, Self-governing Colonies (to Total from all Sources) ... ..	18.6	21.2	20.3
To	1904.	1905.	
Self - governing Colonies ... ..	£ 52,296,678	£ 52,118,574	
India ... ..	40,641,277	42,996,388	
Other Colonies and Possessions ...	18,999,915	18,322,849	
Total, British Possessions ... ..	111,937,870	113,437,811	
Total, Foreign Countries ... ..	188,773,170	216,378,803	
Total, all Destinations ... ..	300,711,040	329,816,614	
Percentage, British Possessions ... ..	37	34	
Percentage, Self-governing Colonies (to Total from all Sources) ... ..	17.3	15.8	

The difference between these figures and those given above for the Self-governing Colonies is due to the fact that the earlier Table included re-exports, imports, and exports of bullion and specie, and diamond imports, all omitted from this Table.



If instead of confining our attention to exports of British produce and manufacture we include the re-export trade, the figures indicate a positive decline of a considerable amount during the last four years, a drop from 66½ millions in 1902 to 63½ millions in 1906.

### THE EVIDENCE FROM COLONIAL TRADE.

But our statement would not be complete without some reference to the evidence regarding the growth of Imperial self-sufficiency afforded by the trade of the Colonies themselves.

The question here is not—Is Great Britain buying more largely from and selling more largely to her Colonies? but, Are these Colonies themselves buying a larger proportion of what they need from the Mother Country, and selling a larger proportion of what they have to sell to her?

The relative importance of the present dependence of the self-governing Colonies upon Great Britain, the other British possessions, and foreign countries for the imports may best be measured by the following Table (see page 80) presented to the Colonial Conference.\* But this dependence on the Mother Country is steadily diminishing, not only for import but for export trade, as the following figures derived from the Abstract of Colonial Trade clearly indicate.

### IMPORTS INTO COLONIES, POSSESSIONS, AND PROTECTORATES.

	<i>Total Imports into Colonies.</i>	<i>Imports from United Kingdom to Colonies.</i>	<i>Percentage from U. K. to Colonies.</i>
1891-2-3	£534,594,000	£290,731,000	54.3
1894-5-6	518,435,000	270,631,000	52.2
1897-8-9	628,521,000	312,804,000	49.7
1900-1-2	804,725,000	378,322,000	47.01
1903-4-5	931,045,000	423,752,000	45.5

\* Cd. 3,524, page 321.

Colonies	VALUE OF IMPORTS FROM							
	The United Kingdom.		British Possessions.		Foreign Countries.		All Countries.	
	Amount.	Per Cent.	Amount.	Per Cent.	Amount.	Per Cent.		
*Dominion of Canada ... ..	£		£		£		£	
	14,223,000	24	3,003,000	5	42,459,000	71	59,685,000	
South Africa (Cape Colony and Natal)	18,253,000	62	4,553,000	15	6,649,000	23	29,455,000	
New Zealand ... ..	7,784,000	62	2,578,000	21	2,119,000	17	12,481,000	
Australian Commonwealth ...	23,021,000	63	3,894,000	11	9,887,000	26	36,802,000	

\* The figures represent the imports for consumption (including bullion and specie) for the year ended 30th June, 1906.

EXPORTS FROM COLONIES, POSSESSIONS, AND  
PROTECTORATES.

	Total Exports from Colonies.	Exports to United Kingdom from Colonies.	Percentage to U. K.
1891-2-3	£585,231,000	£275,790,000	47.0
1894-5-6	574,010,000	279,813,000	48.7
1897-8-9	697,551,000	334,210,000	47.9
1900-1-2	779,581,000	324,898,000	41.9
1903-4-5	971,312,000	418,504,000	43.1

From the triennial percentages here given it appears that while, as we have seen before, Great Britain's dependence on her Empire for trade is virtually stationary, the dependence of her Empire upon her for trade is rapidly diminishing.

Finally, it is relevant to inquire whether the commercial interdependence among our Colonies and possessions is growing at a faster pace than their dependence upon foreign nations. Apart from their relations with the Mother Country, is the economic solidarity of the Empire increasing?

Here such evidence as official statistics afford points the same lesson as the statistics relating to trade between Colonies and Mother Country. Though a large actual increase of trade is taking place between the different Colonies and possessions, this increase is considerably smaller than that of their foreign trade. The Colonies and possessions are therefore, like Great Britain herself, becoming more, not less, dependent upon foreign countries for their profitable trade.

This tendency is proved by the following table, compiled from tables in the Statistical Abstract\* :—

IMPORTS INTO COLONIES AND POSSESSIONS FROM FOREIGN  
COUNTRIES AND OTHER BRITISH POSSESSIONS (EXCLUDING  
GREAT BRITAIN).

	1890.	1895.	1900.	1901.
Foreign Colonies	†52,305,000	52,660,000	86,654,000	90,643,000
	34,697,000	28,259,000	47,832,000	49,695,000

\* Cd. 3,328, pages 79 and 35.

† Figures for 1891.

	1902.	1903.	1904.	1905.
Foreign Colonies	96,420,000 55,159,000	109,822,000 63,424,000	106,187,000 62,151,000	108,773,000 57,143,000

## SUMMARY OF EVIDENCE.

To suppose that such clear, strong, persistent currents of self-interest as are indicated here can be safely, advantageously, or even possibly, reversed by tariff or other legislation is preposterous.

An attempt to realise by interference with the free current of trade the vision of a self-sufficing Empire must issue in grievous loss and in bitter disappointment. For all such measures, by artificial restriction and direction of industrial powers, must reduce the production of wealth both for Great Britain and for the Colonies; there would be a smaller surplus for over-sea trade with the rest of the Empire, and the product and the profit of this trade would be diminished. Experience would speedily enforce the lesson of the logic of Free Trade. The territorial magnitude of the Empire is the only fact which gives any passing plausibility to the notion of economic self-sufficiency. When from territory, which is irrelevant, we turn to population and industrial development, the really relevant facts, the impracticability of the project begins to be evident, and the study of the actual course of commerce as here set forth exhibits its final and complete futility. If we were foolish enough to try tinkering with preferential taxes and bounties for Imperial trade, we might succeed, at great damage and risk to our general trade, in slightly abating the force and altering the direction of the trade currents so as to divert a slightly increased share of a diminished aggregate of trade to the Colonies, but no amount of legislation on preferential lines would bring us within measurable distance of becoming a self-sufficing Empire.

## CHAPTER V.

### WHAT WE GIVE AND WHAT WE GET.

Now that Mr. Deakin and Dr. Jameson urge upon the British nation Colonial Preference as a just claim in return for the Preference they have given, a business *quid pro quo*, a plain statement of the actual state of our debit and credit account with the self-governing Colonies becomes necessary. However distasteful it may appear to reduce the benefits and obligations of the Mother Country and the children to this cold calculus, the demands of these pushful Colonial statesmen leave us no choice.

Now that Colonial Preferences no longer figure as a gift horse, but frankly assume the character of goods left at our door for inspection, approval, and early payment, it becomes our duty to examine their value. We have therefore taken, in order, the different Preferential Tariffs of Canada, Australia, New Zealand, and South Africa and tried to ascertain what they are worth to us.

Put on any reasonable business footing the "gift" of the Colonial Preferences does not mean any considerable accession to our national trade. It is not enough to justify the demand that we should give up the Free Trade policy under which 95 per cent. of the population of our Empire lives, and establish Protection, so as to give a return gift of Preference to the Colonies, who represent 5 per cent. of the Empire.

But another highly relevant question awaits an answer. Are we actually in the position of a country receiving a benefit from other countries and giving nothing in return? We think not. Mr. Deakin, Dr.

Jameson, and their supporters in this country may be invited to consider more closely than they appear to have done hitherto the solid benefits which we bestow upon their Colonies now.

*Firstly.*—We give them a large free market in return for a smaller protected market. All the food and raw materials they have to sell, with the exception of tobacco, sugar, and wine, enter tariff-free not only the British Isles but India and all our Crown Colonies. In return for this free market, which absorbs nearly two-thirds of the total value of the Colonial exports, they impose protective duties upon three-quarters of the manufactured goods which enter their ports.

A return of the Board of Trade, April, 1907 (133), shows that of a total import trade from the self-governing Colonies into Great Britain, amounting in value to £88,462,898, only £138,962 was subject to duty.

On the other hand, out of a total export trade from Great Britain to the same Colonies, amounting in value to £63,097,000, no less than £44,963,000 was taxed on entrance.

Many British manufactures are virtually denied access to the Colonies by means of a tariff, which, though lower than that placed on foreign goods, is too high for profitable entrance.

Nor should it be forgotten that, though foreign goods are allowed entrance to our shores upon the same free terms with Colonial goods, the latter do enjoy what may be termed a sentimental preference, which, could it be measured in £ s. d., would probably be worth as much as the formal Preferences secured under Colonial tariffs. Imperial sentiment has, during the last two decades, notoriously influenced British consumers; given anything like equality of price and quality, Colonial wares have been preferred to foreign, and with regard to public contracts and purchases the practice has become a policy. A free British and Imperial market for all sorts of Colonial produce with this sentimental favour is worth more to the Colonies than a restricted Colonial market,

from which all genuine competition with Colonial manufactures is excluded, is worth to us.

*Secondly.*—The British taxpayer gives the Colonies a virtually gratuitous defence for their territory and their trade.

At the time of the Colonial Conference of 1902 the relative expenditure of Great Britain and the Colonies upon the military and naval defence of the Empire was expressed in the following table (see page 86).\*

After the Conference of 1902 several Colonial Governments increased their naval grant, and the present naval subsidies† are as follows:—

Australia	...	...	...	...	£200,000
New Zealand	...	...	...	...	40,000
Cape Colony	...	...	...	...	50,000
Natal	...	...	...	...	35,000
Newfoundland	...	...	...	...	3,000
					<hr/>
Total	...	...	...	...	£328,000

Canada has recently taken over from the Imperial Government the Halifax and Esquimalt Dockyards, defraying the cost of their maintenance, and has built a cruiser for Canadian use.

With the exception of some further slight expenditure on docks, partly for naval use, and on patrolling local waters, this small amount represents all the contribution which can be regarded as made to the naval defence of the Empire by the Colonies.

No recent figures of the military expenditure of the Colonies are available. But at present no Colony maintains any force available for any other purpose than Colonial defence. There is no Colonial military contribution to the expenses of imperial defence corresponding to the little sums voted by the Colonial Governments to the Imperial Navy.

Almost the entire expense of defending the Empire falls upon the people of the United Kingdom.

\* Cd. 1,299, page 42.

† Cd. 3,525, page 130.

BRITISH EMPIRE

MILITARY AND NAVAL EXPENDITURE, 1898-9.

	Military. (ordinary.)	Military (per head of population.)	Naval Expenditure.	Naval (per head of population.)	Naval and Military Expenditure.	Naval and Military per head of population.
	£	£ s. d.	£	£ s. d.	£	£ s. d.
United Kingdom ... ..	29,310,000	0 14 1 $\frac{1}{4}$	31,255,500	0 15 1	60,565,500	1 9 2 $\frac{3}{4}$
Canada ... ..	533,553	0 2 0	Nil.	Nil.	553,553	0 2 0
Newfoundland... ..	8,800	0 0 10	Nil.	Nil.	8,800	0 0 10
New South Wales ... ..	185,699	0 2 8 $\frac{3}{4}$	47,207	0 0 8 $\frac{1}{4}$	232,906	0 3 5
Victoria ... ..	130,640	0 2 3	57,883	0 1 0	188,523	0 3 3
Queensland ... ..	68,285	0 2 8	28,200	0 1 1 $\frac{1}{4}$	96,485	0 3 9 $\frac{1}{4}$
South Australia ... ..	15,762	0 0 10 $\frac{1}{4}$	16,642	0 0 10 $\frac{3}{4}$	32,404	0 1 9
Western Australia ... ..	12,336	0 1 5 $\frac{1}{4}$	4,626	0 0 6 $\frac{1}{2}$	16,962	0 1 11 $\frac{3}{4}$
Tasmania ... ..	8,922	0 0 11 $\frac{1}{2}$	5,065	0 0 6 $\frac{1}{2}$	13,987	0 1 6
New Zealand ... ..	105,477	0 2 9 $\frac{1}{2}$	20,830	0 0 6 $\frac{1}{4}$	126,307	0 3 4
Cape Colony ... ..	307,714	0 2 8 $\frac{1}{2}$	30,000	0 0 3 $\frac{1}{4}$	337,714	0 2 11 $\frac{3}{4}$
Natal ... ..	219,371	0 4 10 $\frac{1}{2}$	12,000	0 0 3 $\frac{1}{4}$	231,371	0 5 1 $\frac{3}{4}$
	1,596,559	0 2 5	222,453	0 0 4	1,819,012	0 2 9



Moreover, in reckoning the current expenditure which the British taxpayers incur upon behalf of Imperial defence, the interest upon the vast debt, incurred largely in the making and the defence of the Empire, must not be forgotten. The entire burden of the interest upon this debt of nearly £800,000,000 and of the annual sinking funds set up for its repayment is borne by the people of Great Britain: the Colonies contribute not a penny to this Imperial outlay.

*Thirdly.*—The British connection, fortified by the recent admission of Colonial stocks as trust securities, has furnished a full flow of cheap capital for the development of Colonial resources.

The magnitude and importance of this service of the Mother Country have never received adequate recognition. The *Statist*, in two recent articles,\* presents a remarkable estimate of the value of this British preference on investments. In the first place, the Imperial connection has influenced the minds of British investors.

“ It is true that Great Britain has found a very large amount of capital for foreign countries and has greatly contributed to the prosperity of these countries, but we have charged foreign countries rates of interest much higher than we have charged the Colonies. Moreover, we have not been willing to lend to foreign countries any very large amount of money on the security of Government bonds. Our investors prefer the bonds and stocks of railway and industrial securities rather than Government securities. . . . But they have made an important exception as regards the Colonies and India, holding that any State within the British Empire would never fail to meet her obligations.”

In 1900 this preference was strengthened by the admission of Colonial Government securities to the list of British trustee investments. The value of these Colonial and Indian securities is estimated at over £517,000,000.

“ But the advantage of the low rate of interest is not

\* April 27 and May 4, 1907.

confined to the trustee list of Colonial and Indian securities ; it extends to the non-trustee securities of the Colonial and Indian Governments, and also to the debenture and preference stocks of Colonial railways. The yields afforded upon British capital invested in Colonial land, mortgage, industrial, and mining companies are, of course, governed by the success of the various enterprises ; but the volume of capital invested in such undertakings is greatly swollen by the greater willingness of British investors to place their money in the Colonies and India than in foreign countries."

The aggregate of British investments in Colonial and Indian Government, corporation, and railway securities is estimated by the *Statist* at £914,758,000, and when to this sum is added an estimate for banking, land, mortgage, industrial, and mining companies the gigantic figure of £1,300,000,000 is reached.

What is the worth of this British preference? " Excluding the capital placed in industrial enterprises, *the preference which the Colonies enjoy in the matter of interest is at least 1 per cent. compared with the interest we ask from foreign countries which apparently offer equally good security, and in which our investors are willing to place capital.*"

Here is a " gift " worth at least £10,000,000 per annum upon the most generous estimate for non-preferred " industrials."

Or, if we confine our attention to the Colonies, omitting India, the following statement will indicate the size of this preference :—

Colonial and Provincial Government Securities	... ..	£361,925,000
Transvaal Government Loan	... ..	40,000,000
Colonial Corporation Stocks	... ..	39,438,000
Colonial Railroads	... ..	194,522,000
		<hr/>
		£635,885,000

Here is an Imperial service worth a good deal more than £6,000,000 a year.

Does anyone—Mr. Deakin, for example—seriously

pretend that the value of the existing Colonial preferences, or of any preferences the Colonies are able to give us, amounts to anything like this sum? To balance this service alone it is necessary to show that the preferential tariffs have procured an additional quantity of trade for British exporters which yields a net profit of six millions. As we have seen, the actual sum which can reasonably be accredited to this account falls very far below this amount.

The public debt of Australia and New Zealand in June, 1906, amounted to £300,619,000, and much more than half of this was furnished by Great Britain. Can Mr. Deakin and Sir J. Ward show us any prospect of a scale of preferences to British imports into Australasia worth, let us say, £1,500,000 in net profits? A candid consideration of the facts discloses the result that any fair debit and credit account between the Mother Country and the Colonies exhibits a large deficit on the Colonial side.

Indeed, it is tolerably certain that any one of the three great items of Imperial service to which attention has been drawn—Markets, Imperial Defence, and Preferential Loans—greatly outweighs the net profit of the trade secured to us by present or prospective preferential tariffs.

## CHAPTER VI.

### COSTS AND RISKS OF PREFERENCE.

#### IT INVOLVES PROTECTION.

SUPPOSE that a British Government, accepting the view of fiscal Imperialists that it is our paramount duty to bind the self-governing Colonies to the Mother Country by a system of preferences, were willing to meet each Colonial preference with a corresponding preference on Colonial produce brought into Great Britain, what would be the political and economic consequences?

1. The first result would be the substitution of a protective system for our present system of free imports.

The notion that any sort of *quid pro quo* could be given to the Colonies by a mere abatement or remission of the duties on existing dutiable imports, *i.e.*, alcohol, tobacco, tea, coffee, &c., does not deserve serious consideration. Though Dr. Jameson laboured the point before the Conference, and a resolution\* in favour of it was carried by a majority (Botha dissenting and Laurier absent), it is quite evident that any such proposal would only be regarded as the "assertion of a principle," a thin edge of the preferential wedge, not as a serious contribution towards a genuine preferential system.

Though certain other British possessions—India and Ceylon, West Indies and British Guiana—might stand

\* Cd. 3,523, page 440.

to gain something substantial by a reduction or remission on tea, coffee, cocoa, and sugar, the present or prospective contribution of the self-governing Colonies towards the dutiable imports is too trivial for any such result to ensue. These dutiable imports in 1906 were valued as follows:—

From Canada	...	...	£15,368
„ Australia	...	...	106,537
„ New Zealand	...	...	163
„ South Africa	...	...	16,894

The notion that a reduction of 1s. a pound on tobacco could stimulate a valuable import trade from the Transvaal and Natal, or that a large trade in Cape wines could be created by preference, is simply puerile.

The only article at present taxable which forms the basis of any considerable trade is Australian wine. Taking the existing and proposed preferences on their merits, such a British preference would give most to Australia, whose preference gives us least, and least to Canada, whose preference gives us most. The idea that our existing Customs duties could be utilised as a basis of Colonial preference must therefore be dismissed at once.

Duties must be imposed upon classes of imports which at present come in free, if any real preference is to be given. These imports must be goods which bulk largely in Colonial trade.

If the self-governing countries were tropical, it might be possible to find articles upon which further preference might be given without protection of British industries. New duties might be put upon foodstuffs and raw materials which, though raising prices to British consumers, did not in fact “protect” any British industry. But an inspection of the large imports from self-governing Colonies shows this to be impracticable, for these consist of articles which compete directly with articles produced in Great Britain.

In order to give a real preference it is necessary to tax foods and raw materials which are produced in Great Britain.

The following table, supplied by Mr. Asquith (May 13th) to the House of Commons, establishes this fact :—

Imports of	From Self- Governing Colonies. Million £	From all British Possessions. Million £.
Food, Drink, and Tobacco ...	33	58
Raw Materials and Articles mainly unmanufactured ...	32 $\frac{2}{3}$	52
Articles wholly or mainly manufactured (including a small quantity of unclassi- fied articles and Parcels Post) ... ..	5 $\frac{1}{4}$	16 $\frac{1}{2}$
	<hr/> 71	<hr/> 126 $\frac{1}{2}$

Now, our tariff reformers have generally admitted with Mr. Chamberlain that, in order to give a preference to the Colonies, it is necessary to tax food. They also admit that incidentally this brings protection to British farmers, though sometimes, with Mr. Balfour, they urge that a duty on foreign corn, though it may protect British farmers, is not Protection, because its motive is to give a preference. But it is evident that any duty which, in fact, protects, is a protective duty, even if its prime object be revenue or preference.

Therefore, the admission that taxes on foods, which cannot be offset by excise on home produce, are necessary to give Colonial preference, is an admission that a protective system is involved.

Admitting that foreign foods must be taxed, Preferentialists have usually denied that preference involves taxing raw materials. This denial is based on the belief that though they may be able to persuade ignorant consumers that prices will not be raised by putting duties on foreign goods, they will not be able to persuade British manufacturers that taxes on foreign supplies of raw materials will not raise their costs of production.

But any scheme of British preference to imports from the self-governing Colonies, which is considerable

in value and even approximately fair in its distribution, as between the different Colonies, must involve taxation of foreign raw materials and protection of British production.

Here it may be pointed out how artificial is the distinction between foods and raw materials of industry. Most of the important foods which enter as imports rank, either directly or indirectly, as raw materials in some productive industry in this country. Statistics of employment show a rapid rise in the importance of food trades of the manufacturing order, especially in confectionery, jams, pickles, mineral waters: besides these there are the great milling, brewing, and distilling industries, and the large number of productive and distributive trades dependent upon these.

If we adopted a system of preferential duties which made no provision for India and the Crown Colonies, and confined themselves to the foods from self-governing Colonies, we should still be taxing the raw materials of important British industries. Taxes on cereals would tax the feeding-stuffs for farmers, the raw materials for brewers, millers, bakers, and confectioners: taxes on cattle and meat would tax the materials of graziers, butchers, hotels and restaurants, and the preserved-meat trades, and, not less important, the tanning and leather manufactures; even taxes on butter and fruit would place a further burden on the confectionery trades.

Thus, the inevitable effect of preferential duties involving taxation of foreign foods is to tax the raw materials of many British industries. Not less damaging would be the effect of these food taxes in raising food prices, and thus either damaging the efficiency of labour or causing a rise in money-wages and cost of production to meet this increase of food prices.

#### TAXATION OF RAW MATERIALS OF MANUFACTURE NECESSARY.

But a satisfactory system of preferential duties could not rest on food alone: taxation of other raw materials of our manufactures would be necessary. For

food preference would give nothing to South Africa, while it would unduly favour Canada as compared with the Australasian Colonies, and New Zealand as compared with Australia. This may be seen from the following table :\*—

FOOD IMPORTS INTO U.K. FROM SELF-GOVERNING COLONIES.

	ANIMALS, LIVING, FOR FOOD.	MEATS.	FISH.	BUTTER.	CHEESE.
	£	£	£	£	£
Australia ...	—	1,535,377	—	2,307,835	—
New Zealand	—	3,535,377	—	1,467,628	203,344
Canada ...	2,536,724	3,683,599	706,331	1,428,494	4,804,172
Newfoundland	—	—	210,028	—	—
Cape Colony	—	—	—	—	—
Natal... ..	—	—	—	—	—

	LARD.	WHEAT AND FLOUR.	FRUIT.	TOTALS.
	£	£	£	£
Australia ...	—	4,291,027	252,345	8,386,584
New Zealand	—	119,160	267	5,325,776
Canada ...	641,951	3,065,941	747,956	17,615,164
Newfoundland	—	—	—	210,028
Cape Colony	—	—	—	—
Natal... ..	—	—	6,568	6,568

This table proves the truth of Mr. Asquith's contention at the Conference, "that you cannot possibly give a preference which shall be anything like an even-handed preference as between the different Colonies of the Empire unless you include in it raw materials as well as food."†

In order to give South Africa any show at all it would be necessary to tax wool, hides and skins, feathers, and perhaps copper ore. The tax on wool and upon hides will be essential, not merely for South Africa, but in order to secure something like equality

\* Constructed from Cd. 3,328, pp. 65, 56.

† Page 321.



of treatment for Australia and Canada. To give anything to Newfoundland a tax on oil would be necessary.

Thus, Preference seems inevitably to land us in duties upon foods and raw materials, and a protective tariff of a particularly injurious sort, in that it hampers a number of British industries by taxing important materials.

It is protective because it imposes taxes upon foreign foods and materials which are also produced in this country, and upon which an excise would be impracticable.

But it is a particularly bad species of Protection, erring against every canon of "scientific tariffs." A "scientific tariff" lets in free absolutely raw materials, or, if they compete with the home agricultural and mining industries, imposes a relatively low duty: as the imports contain a larger element of labour, and arrive in a more finished shape, the tariff is higher.

Here, in the name of Preference, we protect against raw materials, while we let in free completely manufactured goods. Is it not inevitable that if we once introduced this "preferential" protection, it would yield place to the more logical or scientific sort?

The more astute Tariff Reformers in this country see this clearly. They design to utilise the "Imperialist" feeling in order to drag in by *a fortiori* reasoning a full protective system. They are aware that Colonial preferences are, and can be, worth very little, and that the notion of a self-sufficing Empire is baseless. But they recognise that if Great Britain could once be induced to put on protective duties against foreign foods and raw materials, in order to give a preference to our Colonies, it would be easy to force the logic of protecting British manufactures against German and American competition.

#### PREFERENCE INVOLVES NEW TAXES ON THE COLONIES.

We saw that in each of the Colonies preference was carefully subordinated to protection. Would it be different here? We saw that Colonial preference was brought about in most instances not by remissions to

British imports, but by penalising foreign imports. It may seem to Canadians a good thing if we let in their produce free as now, and simply put a duty upon foreign produce. But it could not work this way, at any rate where Colonial imports are raw material for British industries. This issue was put forcibly by Mr. Harold Cox in a letter to the *Morning Post*: —“ If you are going to tax the raw material of the English miller, how are you going to make matters square between him and his Canadian rival? Is Canadian flour to come in without a tax, while the material used by the British miller (*i.e.* foreign wheat) is to be taxed? ”\*

Out of this dilemma there is only one escape—taxation of Colonial produce.

The *Morning Post* makes the following reply to Mr. Cox :—

“ Mr. Harold Cox was able to make a debating point by assuming that Tariff Reformers intend to admit Colonial produce duty-free. It ought to be too late by this time for misunderstanding on this score. If Tariff Reform is to be a means of solving the revenue difficulty, *it will not be possible to refrain from making Colonial produce dutiable*, although at a lower rate than the foreign produce which competes with it.”†

The words we place in italics deserve to be set alongside of Mr. Chamberlain's famous admission, that in order to give Imperial preference it is necessary to tax food. It was supposed that this merely meant that a tax must be put on foreign foods. It now appears that another tax, though a lower one, must be put upon Colonial foods.

In other words, we are to have a regular protective tariff with a maximum and a minimum, a general and a preferential tariff. The Agricultural Committee of the Tariff Commission have been obliging enough to develop this scheme, and have even suggested the following scale of duties :—

\* June 1, 1907.

† *Morning Post*, June 4, 1907.

	GENERAL TARIFF.	PREFERENTIAL TARIFF.
Wheat ... ..	6d. per cwt. (or about 2s. per qr.).	3d. per cwt. (or about 1s. per qr.).
Barley, oats, rye, maize, etc. ...	Duties equivalent to those on wheat.	Duties equivalent to those on wheat.
Wheaten and other flour and meal ...	1s. 3d. per cwt.	
Animals and meat, including bacon	General level to be 5 per cent.	
Dairy produce, including poultry and eggs... ..	Specific duties equivalent in general to from 5 per cent. to 10 per cent. <i>ad val.</i> , though in particular cases some duties when calculated may be found to be lower and in others rather higher than these limits.	Subject to negotiations with the Colonies.
Market garden produce, including potatoes and hops		
Hay and straw ...		

Commenting upon this tariff proposal, a writer in a leading trade journal\* remarks: "Under this scheme the proportion of our imports subject to duty from the self-governing Colonies is considerably increased. From Canada some 73 per cent. of our imports would be subject to duty, from Australia 33 per cent., and from New Zealand 41 per cent., but from the Cape and Natal only 0.2 per cent., and from Newfoundland only 0.4 per cent."

We commend to our Colonial Preferentialists these proposals of their Imperialist friends in this country. When Australians realise that the adoption of Mr. Deakin's proposal by Great Britain will mean that Australian wheat and wool, which now enter free, will have to pay a tax, we doubt whether they will feel particularly grateful. Nor will Sir W. Laurier face his farmers with confidence when he has to tell them that their wheat has got to pay a tax on entering the British market. Not only must Canadian wheat pay a tax, but Canadian flour must pay a higher tax.

\* *Commercial Intelligence*, April 17, 1907.

Do our Colonial Preferentialists clearly recognise that the acceptance of this "offer" involves the imposition of duties upon all their produce which now comes in free, and have they calculated that it is worth their while to bear a tax, which they at any rate believe falls on them, in order that foreign competitors may pay a higher tax?

Where a protective tariff already exists it is technically possible to give a preference which has the appearance of a gift, by lowering existing duties in favour of the preferred country, though the actual tendency is to raise the duties on the non-preferred countries. Where, as in the case of Great Britain, a protective tariff does not exist, preference can only be given by placing a tax upon the countries you desire to favour and a higher tax upon the others.

In order to give preference without positively handicapping home industries you must protect.

Tariffs, general and preferential, upon foods and raw materials will necessarily involve a tariff upon manufactured imports. It would indeed be absurd to place taxes upon raw materials and real wages, which must have the effect of increasing the costs of production of our manufactures and to refuse an equal measure of protection to the latter.

Thus we perceive that the least measure of preference on our part involves us by inevitable logic in a complete abandonment of our free import policy.

#### PREFERENCE RAISES PRICES.

It would not be necessary to do more than state the tolerably obvious proposition that Colonial preference on food and raw materials will raise their price to the British consumer if it were not for the extraordinary assumption of Messrs. Deakin,\* Ward,† and Lyne‡ that the stimulus given by preference to Colonial production will enable the Colonies to supply all our needs as cheaply as they are now supplied. "It is true that three-quarters of your entire supply of certain neces-

\* Page 233.

† Page 269.

‡ Page 326.

sary foods and materials is drawn from foreign countries, and only a quarter grown at home or imported from the Colonies, but the result of Colonial preference will be so to stimulate the flow of population to these Colonies and so to develop their agricultural and other resources, that in a very short time they will supply all that you get from foreign countries and as cheaply.

“ You will have your free food and your free materials as before, but from inside the Empire instead of from without.” Thus runs the argument. This assumption seems to be that a preferential duty will in a few years’ time stop the influx of foreign wheat, wool, meat, &c., and substitute Colonial produce. To the quite pertinent objection, “ If the Colonies can put in all the wheat and wool we need as cheaply as the foreigner, why not do so without a preference? ” the usual answer is: “ They will do so if only you stimulate them and guarantee them a monopoly of your market, a monopoly which cannot be abused, for inside the Empire there is ample competition.”

This answer is, of course, wholly inadequate. The surplus population of Europe and its surplus capital must be presumed largely to flow into the United States, Argentina, and other foreign countries, because by going there it can find a more profitable market in Great Britain and elsewhere for the agricultural and mining wealth it helps to produce, than by going into Australia and Canada. How can a British preference for Colonial produce divert this flow from the United States and Argentina into Canada and Australia? Only by raising the rates of profit on investments and the wages of labour in those Colonies. This can only be done by raising the prices of the Canadian or Australian produce in the British market, for otherwise how can the capital and labour be got to develop land which it does not pay to develop now?

The only conceivable efficient cause of the great Colonial development Mr. Deakin and others are seeking to promote is higher prices for Colonial produce in the British market. And if for Colonial produce, then

for the entire supply, British, Colonial, and foreign, so far as any foreign is still allowed to enter.

The notion that the Colonies can be stimulated or enabled to develop more industry and put more supplies in our market by any other stimulus than a rise of prices is self-contradictory. Even if preference were accorded by leaving Colonial produce duty-free, as now, and putting a duty only on foreign produce, the price of the entire supply to British consumers must rise, or else no force is brought to bear to stimulate Colonial production. *A fortiori* is this true when the preference takes the form of taxing Colonial as well as, though not as much as, foreign produce. If our Fiscal Reformers had their way and put 1s. on Colonial wheat, 2s. on foreign, who does Mr. Deakin or Sir J. Ward think would pay this shilling, the English consumer or the Colonial producer?

If the latter (the orthodox Protectionist's assumption), how is the growth of Colonial wheat to be stimulated by lowering the price the growers get by 1s. per quarter? If the former pays, what becomes of the argument that preference will not raise prices for the British working-man?

The alternative sometimes suggested, that the duty will "somehow" come out of middlemen, freight or other charges, is based upon a vague and utterly erroneous notion about the services rendered in the carriage and distribution of produce and about the determination of the prices for these services.

A preference, to be of any worth in developing the Empire and displacing foreign by Colonial produce, must raise the price paid for this produce by consumers to producers.

The simple fact, of course, is this: We buy a great deal of wheat from Russia, Argentina, Austria-Hungary, much wool from Egypt, South America, meat from the United States, &c., because we can get it a little cheaper or a little better than if we got it all from the Empire. If the effect of a preference is "somehow" to compel us to substitute Colonial produce for this foreign produce, it can only mean the substitution of a little dearer or a little worse article for a little

cheaper or a little better. The object of the tax is to do this; and, so far as it operates at all effectively, it does it. Only so far as the consumer is made to pay is the preference an operative force at all.

#### INTERFERENCE WITH COLONIAL LIBERTIES.

Preference has so far been in a fluid and experimental stage: each Colony has retained and exercised complete freedom to shift its tariff and its preference as often as it likes. It has been simply a freewill offering to the Mother Country or to a sister Colony. But so soon as a Colonial preference is made the basis of a definite bargain with Great Britain, and the several preferences of the Colonies and the Mother Country are erected into an Imperial Tariff system, designed to secure a growing unity and economic self-sufficiency for the Empire, this freedom of each Colony to chop and change its tariff according to the policy of each changing Government, or the passing exigencies of Colonial finance, cannot be retained. If tariff systems are to be arranged so as to secure to the Colonies a firm, full hold upon the British market for their foods and raw materials, and to secure to British manufacturers a regular, sufficient outlet for their surplus goods in Colonial markets, each party must be able to develop its agriculture and lay down its plant with some reasonable assurance that the tariffs which are to secure the market for their produce shall not suddenly be altered to their detriment. This applies not merely to the relations between Great Britain and the Colonies, but to the inter-Colonial relations.

If Great Britain had specifically engaged to give a substantial preference upon Canadian wheat and Australian wool, in return for a valid preference upon her textiles and her metal manufactures, she must require some assurance that Canadian or Australian manufactures shall not, by raising their protective tariffs, damage or cancel the preference. Each part of the Empire would have a vested interest in the tariffs of the other parts. Not only must not the formal preferences in the several tariffs be withdrawn or altered without

the consent of the several parties interested in them, but no change in the protective portions of the tariff, no creation of new intermediate tariffs, no special commercial treaty with a foreign country, no system of bounties to home producers, could be permissible without Imperial sanction. The Colonies would find that not only the interests of Great Britain herself, but of India and of the various Crown Colonies, had to be carefully weighed whenever, for reasons protective or financial, they wished to make alterations in their tariff.

The absolute control over their finances which they have hitherto possessed would thus be grievously curtailed. Depending, as they all do, for their public income upon Customs to a far larger extent than Great Britain, they would find the loss of fiscal freedom and elasticity involved a corresponding loss of liberty in the administration of their Government.

If Canadian preference had been secured by express agreement with Great Britain, receiving a definite *quid pro quo*, do Sir W. Laurier and Mr. Fielding suppose for one moment that they would have been free to cut down in their 1904 Budget the preference on British cloth for the benefit of Canadian woollen mills, or that they could qualify the preference on British rails by bounties to Canadian companies?

In the Report of the Conference the resolutions of the Colonial representatives, affirming the desirability of preferential trade and urging this policy upon the Imperial Government, are followed by a resolution upon Commercial Relations to the effect that "this Conference, recognising the importance of promoting greater freedom and fuller development of commercial intercourse within the Empire, believes that their object may be best secured by leaving to each part of the Empire liberty of action in selecting the most suitable means of attaining this, having regard to its own special conditions and requirements," &c.

The considerations we have named show that any effective system of Imperial preference involves less liberty of action for the several parts of the Empire, since it precludes them from determining their tariff



policy in the future with exclusive regard to their "own special conditions and requirements."

Those who know that complete practical local independence has been the secret of the success of the British Colonial system will recognise the disintegrative influence which will be introduced by the attempt to establish any sort of Imperial tariff arrangement.

#### A DISRUPTIVE FORCE IN THE EMPIRE.

An Imperial system of tariff preferences would be a disruptive element in the Empire, arousing feelings of jealousy among the several Colonies and antagonism on the part of the self-governing Colonies as a body against Great Britain.

It is impossible to work out the scheme of a British preferential tariff which would do even-handed justice to the different Colonies, still more one which would do justice to the various important interests within each Colony. A preference on food imports, as we saw, would do virtually nothing for South Africa, while the benefit would be distributed very unequally in the case of the other Colonies. If, on the other hand, we included the leading raw materials under the preferential treatment, we should be driven to protect our manufactures against the new stress of foreign competition brought about by the enhanced prices of their raw materials. In other words, here, as in the Colonies, preference would be linked to protection, and the protective motives would prevail over the preferential, so that the scale of preferences would be regulated, not by considerations of the equitable treatment of the several Colonies, but by the needs or the political "pull" of the home industries affected by the preferences.

Neither in theory nor in practice could the British preferences be weighted so as to give advantages to the different Colonies in proportion either to their population or their trade, or to the preferences which they accord to our imports. Even under our present equal treatment incipient antagonisms have disclosed themselves, based upon some real divergence of immediate interests. After the Boer War the efforts made to in-

duce British colonisation of South Africa aroused considerable ill-feeling in Australia and Canada, and the present boom of Canadian development which draws into that country the lion's share of our migrating population and capital evidently militates against the development of Australia.

These several countries are naturally concerned far more deeply about their own prosperity than about that of other sections of the Empire. At present, however, the jealousy with which Australia eyes the advance of Canada cannot beget a sense of grievance either against the sister Dominion or against the Motherland, for Great Britain does not subsidise Canadian immigration or investments at the expense of Australia. If, however, the interests of the new British protective system, or the claim of a heavy Canadian preference, or the Imperial importance of establishing securely the great new grain route from the Northwest, were to involve the granting of a larger or more advantageous preference to Canada than to Australia or New Zealand, a sense of grievance would inevitably be generated in the latter. Each "injured" Colony would be compelled by the clamour of its aggrieved interests to demand some readjustment of Imperial preference, while in the meantime the trade relations between the competing Colonies would suffer.

An Imperial preferential system, based, as it must be, upon a delicate adjustment of more or less conflicting interests, must be subject to frequent revision with infinite bargaining. Each party must carefully scrutinise each charge, so as to see that the new tariff does not go against it, and that either the Mother Country or one of its sisters does not gain at its expense. So likewise the several members of the Canadian, Australian, and South African group will be constantly liable to quarrel among themselves over the share of the British preference which falls to them respectively, the disruptive principle extending thus not only to the Colonial groups but to the internal relations within each group.

Hitherto there has never been close scrutiny into the business aspect of our relations with the several

Colonies. We have never kept an exact credit and debit account with them. An Imperial preferential system which would put the Empire on a business footing would involve such scrutiny, which, as Mr. Churchill recognised,\* would not be likely to confine itself to balances of tariff. "It will stray further, I think, and it will examine the contributions which the self-governing Colonies make to the general cost of Imperial defence, and will contrast those contributions with a severe and an almost harsh exactitude with the great charges borne by the Mother Country."

To substitute for the bond of sentiment and of occasional voluntary services, which has hitherto subsisted, a rigorous system of legal monetary agreements is the surest possible method of impairing that mutual goodwill which is the virtue of the British Empire. There is no more certain source of dissension among the members of a family than the common conduct of a profitable family business, however carefully the deed of partnership or trust be drawn up. The effect of an Imperial partnership for profit along the lines proposed would be, not merely to promote suspicions and jealousies among the partners, but to make dangerous breaches between the self-governing Colonies as an aggregate and Great Britain. In any Imperial settlement and readjustment of the tariff system the voice of Great Britain must overrule the voices of these Colonies. For Great Britain, bearing on her shoulders the destinies of India and the Crown Colonies, Possessions, and Protectorates, could never consent to a method of determining tariff changes which gave her a voting power equal to that of Canada or Australia. Whether trade or population or any other basis of representation is taken, the British representatives in an Imperial Tariff Conference must be able to outvote the united representatives of the self-governing Colonies when an issue arose dividing them. The inevitable effect of one or two keen conflicts, in which the united Colonies were overborne by the Government of the Mother Country, would be to arouse a strong

\* Cd. 3,523, page 402.

anti-Imperial policy and party in the Colonies, which would clamour, possibly, for the "cutting of the painter." On the other hand, if the paramountcy of the British interests were not secured, and the majority of the Colonial representatives were able to force tariff regulations deemed detrimental to the interests of the Mother Country, an equally strong anti-Colonial party would be created here. Mr. Churchill depicted in a most convincing manner the dangerous feeling against the Colonies which might easily be generated in this country :\*—

"Great fluctuations occur in the price of all commodities which are subject to climatic influences. We have seen enormous fluctuations in meat and cereals and in foodstuffs generally from time to time in the world's markets. Although we buy in the markets of the whole world, we observe how much the price of one year varies from that of another year. These fluctuations are due to causes beyond our control. We cannot control the causes which make the earth refuse her fruits at a certain season, nor can we, unfortunately, at present, control the speculation which always arises when an unusual stringency is discovered. Compared to these forces, the taxes which you suggest should be imposed upon food and raw materials might, I admit, be small ; but they would be the only factor in price which would be absolutely in our control. If, from circumstances which we may easily imagine any of the great staple articles which were the subject of preference should be driven up in price to an unusual height, there would be a demand—and I think an irresistible demand—in this country that the tax should be removed. The tax would bear all the unpopularity. People would say : ' This, at any rate, we can take off, and relieve the burden which is pressing so heavily upon us.' But now see the difficulty in which we should then be involved. At present all our taxes are under our own control. An unpopular tax can be removed ; if the Government will not remove it they can be turned out and another Government can be got from the people by

\* Cd. 3,523, pages 405-6.

election to remove the tax. It can be done at once. The Chancellor of the Exchequer can come down to the House and the tax can be repealed if there is a sufficient demand for it. But these food taxes by which you seek to bind the Empire together—these curious links of Empire which you are asking us to forge laboriously now, would be irremovable, and upon them would descend the whole weight and burden of popular anger in time of suffering. They would be irremovable because fixed by treaty with self-governing Dominions scattered about all over the world, and in return for those duties we should have received concessions in Colonial tariffs on the basis of which their industries would have grown up tier upon tier through a long period of time. Although, no doubt, another Conference hastily assembled might be able to break the shackle which would fasten us, to break that fiscal bond which would join us together and release us from the obligation, that might take a great deal of time. Many Parliaments and Governments would have to be consulted, and all the difficulties of distance would intervene to prevent a speedy relief from that deadlock. If the day comes when you have a stern demand, and an overwhelming demand of a Parliament in this country, backed by the democracy of this country suffering acutely from high food prices, that the taxes should be removed, and on the other hand the Minister in charge has to get up and say that he will bring the matter before the next Colonial Conference two years hence, or that he will address the representatives of the Australian or Canadian Governments through the agency of the Colonial Office, and that in the meanwhile nothing can be done—when you have produced that situation, then, indeed, you will have exposed the fabric of the British Empire to a wrench and a shock which it has never before received, and which anyone who cares about it cannot fail to hope that it may never sustain.”

#### DAMAGED RELATIONS WITH FOREIGN COUNTRIES.

Not less injurious would be the damage done to our peaceable relations with foreign nations, from whom

we are invited suddenly to withdraw the free market which they have so long enjoyed to their benefit and ours.

It is futile to urge that foreign nations can have no reasonable ground for complaint against us, for placing taxes on their goods entering our markets equivalent to those they place upon our goods entering their markets, or for favouring our Colonies at their expense. The foreign manufacturers, merchants, and farmers who are injured by the loss of our market, or by the necessity of submitting their goods to customs duties which were not imposed before, will feel a sense of injury, and will arouse in their country a feeling of resentment against Great Britain which will be none the less dangerous because it is unreasonable and unjust. Nor is this all. The diminution of our import and export trade with these foreign countries, which it is the chief object of the Preference system to bring about, involves a weakening of the surest and most concrete bonds of common interest between our nation and theirs, and thus damages the most substantial guarantee of peace. We shall still be competing with Germany, the United States, and other industrial countries for many neutral markets; our vast Imperial territorial interests will still raise controversial issues between us and them. It will be easier for an international difference to ripen into a quarrel, and a quarrel to lead to an outbreak of hostilities, when the sense of injury is rankling in many a foreign manufacturer and merchant who has lost a profitable trade with Great Britain or some Colony, and when a war is no longer opposed by strongly organised commercial and financial interests in the two countries, to whom a war would be disastrous.

#### WOULD IMPERIL OUR NATIONAL SUBSISTENCE.

Finally, in case of a war between Great Britain and a great naval Power, the national peril would be greatly enhanced by a policy which rendered us dependent for our food supply and the raw materials of our manufactures upon our Colonies.

So far is this danger from being adequately recognised, that one of the chief arguments of Preferentialists is directed to maintaining the very opposite, viz., the increased resisting strength which Imperial self-sufficiency would bestow. Mr. Smartt, for instance, argued thus :\*—"We are always told that while the Navy holds the seas, England will be able to feed herself ; but supposing you had a great European war, and you had a combination of great wheat-producing countries against you, and by your policy you refused to encourage Canada, Australia, and other portions of the Empire—with their enormous resources—the command of the seas would be useless if the countries who grow wheat were banded against you, and would not ship that wheat to feed your starving population."

"A combination of great wheat-producing countries"! The great wheat and wheat-flour exporting countries outside the British Empire are the United States, Russia, Roumania, Austria-Hungary, and Argentina. Does Mr. Smartt seriously suggest the probability of such a combination? Is our fiscal policy to be guided by so preposterous a supposition?

On the other hand, what would be our situation if, as is quite possible, we were to weaken the pledges of peace which a great and expanding trade with foreign States provides? It would be foolish to shut our eyes to the possibility of a war with a nation possessing a powerful navy and capable of harrying our Imperial transport trade. Suppose a war with Germany, France, or the United States. A hostile navy would, in accordance with the present laws of war, be entitled to seize or destroy the ships carrying our wheat supply from Canada, Australia, and India. If, then, we had, by preferential tariffs, displaced the wheat which now comes to us from foreign lands by an all-Imperial wheat supply, the whole of the supply required to feed four-fifths of our people would be exposed to the attacks of our enemy. On the other hand, if we retained our

\* Cd. 3,523, page 340.

present large dependence upon foreign sources of supply, the enemy would not be entitled to stop the entrance of the wheat unless they had accomplished the impossible task of making an effective blockade of all our ports.

An all-Imperial wheat supply would mean a serious risk of national starvation in case of war with a single strong naval Power.

#### SUMMARY OF INJURIES.

We have already seen that neither by Imperial preference nor by any other method is it possible to realise the vision of a self-sufficing Empire. Even were it possible, it would not be desirable.

No preferential stimulus that we could offer would go far towards such self-sufficiency. We should still have to draw a great part of our food and raw materials from foreign nations irritated by the protective duties put upon their imports into our country. In order to make the preference efficacious, we should have to build it on to a protective system, which would impose upon our people the waste and the corruption which protection everywhere involves. Far from binding the Colonies closer to each other and to the Mother Country, it would introduce into our Empire a powerful and persistent disruptive force, substituting for the present Imperial sentiment passions of greed, jealousy, and suspicion, which genuine divergencies of business interest, disclosed in the negotiations for tariff changes, would continually feed. Each Colony would be constantly competing with the rest to get the lion's share of the preferential market, and would haggle with the Mother Country for better terms of preference; the dominance of the Home Government, by virtue of her larger population and her protectorship of the "un-free" Empire, would be a constant offence to the self-governing Colonies, generating a new disruptive power, anti-Imperialism in the Colonies, anti-Colonialism in Great Britain.

Finally, preference must certainly loosen our relations with the leading foreign powers, increase the



risks of an outbreak of hostilities, and gravely jeopardise our food supply in the event of war.

## TWO RESULTS OF THE CONFERENCE.

Our examination of the proceedings of the Colonial Conference in the light of the determinate facts and forces of recent political and industrial history yields two plain results.

In the first place, the proposal of a system of preferential tariffs as an instrument for binding the self-governing Colonies closer to one another and to Great Britain, and for thus securing the solidarity and economic self-sufficiency of the British Empire, is stripped of any shreds of plausibility it appeared to possess. The smallness of the gain which any sort or size of Colonial preferences could secure to Great Britain, in compensation for the magnitude of the losses and the risks incurred by the abandonment of our free import system involved in our adoption of any real preference to the Colonies, makes it undeserving of consideration as a practical proposal. To suppose, indeed, that this or any exposure will at once kill Colonial preferences as a political device and a party cry, would be to impute to politics a measure of rationality they do not possess. But while the Protectionist Party here will doubtless continue to wave this Imperialist flag from platforms as before, astuter workers for Fiscal Reform will see the advisability of keeping the proposal in the vague, partly because they must henceforth admit that the adoption of Colonial Preference involves taxing both foods and raw materials, partly because they will recognise that any attempt to give concrete expression to the proposal will expose its antagonism alike to the protective as to the retaliatory principles which form their true objective.

This inherent conflict between the protective and the preferential motives we have seen already illustrated in the brief history of the Colonial Preferences. So superior are and must remain the means of enforcing the protective claims that these preferences, after a flickering, precarious existence, will either disappear

or survive as graceful ornaments in the Colonial protective systems.

In the second place, it is made manifest that, while the Colonies will welcome any conference or council of a deliberative nature, in which free discussion of matters of common interest takes place between Government and Government, and while they are prepared for further co-operation in the furtherance of commerce or defence, they will not lay down in any formal contract any shred of legislative or administrative liberty they already possess. As free agents they will discuss and negotiate and, as far as possible, co-operate for the common good of the Empire, but in every matter they will retain the right of initiation and of ratification for their peoples and their Governments. Not merely do they recognise the paramountcy of their interest in preserving in their own hands the guidance of their political destiny as individual Colonies and as Colonial aggregates, but they now understand, as they did not in the first flush of Imperial sentiment attendant on the Boer War, that any formal political union upon closer terms with the Mother Country, such as has been suggested, must involve not merely a diminution of their Colonial liberties but the assumption of an unknown and an uncontrolled quantity of new Imperial burdens. Mr. Chamberlain's words, so often quoted, remain as true as ever, and may be deemed the expression of a final truth: "The link which unites us, almost invisible as it is, sentimental in its character, is one which we would gladly strengthen; but, at the same time, it has proved itself to be so strong that certainly we would not wish to substitute for it a chain which might be galling in its incidence."\*

\* Cd. 1,299, page 3.

# INDIA AND IMPERIAL PREFERENCE

BY

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## NOTE

*This paper, now slightly altered and enlarged, was read before a meeting of the East India Association, held at Caxton Hall, on the 15th March, 1907, over which the Right Hon. Lord Reay, G.C.S.I. presided. Of it, in its original form, Sir James Mackay, G.C.M.G., K.C.I.E., wrote: "I have read the enclosed paper ('India and the New Fiscal Scheme') by Mr. S. M. Mitra. It is concise, unexaggerated, economically correct as far as my humble judgment goes, and I agree with every one of his statements. I have never seen India's case so well or so simply and truly put. It would have given me great pleasure to preside at his meeting, but my position on the India Council prevents me from doing so. If possible, I shall attend the meeting."*

2nd April, 1907.

SECRETARY,  
Cobden Club.

## INDIA AND IMPERIAL REFORM.

IN the Fiscal controversy the position of India has hardly received any attention. The so-called leaders of Indian thought have not even discussed it. There is not a word in the "Omnibus Resolutions" of the Indian Congress about this most important subject, which affects the economic condition of 300,000,000 of the Indian people. A retired Anglo-Indian official, indeed, Sir Roper Lethbridge, K.C.I.E., Chairman of Devonshire Tariff Reform League, has just published a book entitled "India and Imperial Preference"; but a perusal of it reminds one of the old saying "when you have a very weak case, the best thing to do is to abuse your opponent's attorney." The book abounds with such choice expressions as "suicidal Cobdenite folly" (page 22), "silly free-fooders" (page 41); it refers to Free Traders as "timorous souls" (page 44), to Free Trade as "silly, antiquated bigotry" (page 49), and to Lord Curzon's famous despatch on India and the Preferential Tariff scheme as an "impotent document" (page 40), a "slovenly document" (page 70), and "pitifully mean" (page 69). Strong and unjustifiable language, though pleasing to the gallery, can never appeal to the thoughtful section of the British public. It is a pity that Sir Roper Lethbridge forgot that, in trying to champion the cause of his "Tariff Reform" party, he practically questioned the intelligence of the British nation, when he asked his readers to accept vituperation for stern commercial facts.

Sir Roper Lethbridge claims (page 4) that his "arguments and conclusions, whether right or wrong, whether accurate or inaccurate, have, at any rate, been framed on strictly scientific lines that will be accepted as such by every trained and experienced economist." I confess I find it difficult to deal with "strictly scientific" inaccuracies! Sir Roper Lethbridge promises India everything except Old Age Pensions, which other Tariff Reformers promise for the United Kingdom. He says (page 3) "the idea of India imposing protection against Lancashire goods and other British-made commodities is an idle and mischievous dream" (page 61), "the Indians may rest assured that they will never get protection against Lancashire." Therefore he advises India to join in supporting the Imperial Preference scheme. This is how he translates his economic theories into practice. He suggests (page 68) Imperial Preference with regard to Indian wheat. He devotes several pages of his book to the question of Indian wheat supply; but he forgets that Indian wheat, *without* any preference whatsoever, has been very successful in the London market. In 1905 India exported to the United Kingdom wheat worth £7,882,978, or more than double that from Canada, viz., £3,065,941. In fact, India sends more wheat to the United Kingdom than *all* the self-governing Colonies *put together*. Surely Sir Roper Lethbridge, as an ardent Tariff Reformer, does not really mean that Indian wheat should altogether oust Canadian wheat from the United Kingdom! Leaving Sir Roper Lethbridge to his benevolent theories, let us try to face stern facts which stand in the way of so-called Tariff Reform.

Mr. Chamberlain's Preferential Tariff scheme

suggested no definite measures. The resolution passed at the Colonial Conference of 1902 was of an extremely general and indefinite character, hedged round, as Lord Curzon observed, with qualifications and provisos calculated to admit of almost any limitation, variation, or exception when applied in practice to the conditions of any particular colony. The proposed scheme can hardly be discussed until it is further developed. The Indian Tariff, with one or two unimportant exceptions, imposes duties purely for revenue purposes. The Indian Fiscal system is almost free from any protective intention. Only the countervailing sugar duties may be regarded as protective in a way. Sometimes India is forced to shape her policy, not in accordance with her interests, but according to the demands of other constituents of the Empire. But a line should be drawn somewhere. India is not quite fairly treated. The United Kingdom levies duties on India's tea, coffee, tobacco, and unrefined sugar. Her duty on Indian coffee is about 19 per cent. *ad valorem*, while on Indian tea it is as much as 90 per cent.! Her duty on Indian tobaccos is not *ad valorem*, but, being imposed according to weight, it operates severely on her tobacco, which is all of the cheaper varieties. If, in accordance with the general foreign system of tariffs, the United Kingdom were to impose a reasonable duty on synthetic indigo, as a chemical compound, while admitting natural indigo free, as a raw material, it would benefit India enormously. But it is a great pity that the British fiscal system, instead of being altered to benefit India, is in danger of being altered with the result of causing harm to poor India for the sake of the self-governing Colonies. Is it fair to sacrifice the interests of

300,000,000 loyal subjects in order to further the supposed interests of only 11,000,000 belonging to the self-governing Colonies? The people of these Colonies are, no doubt, of English extraction; at the same time, the 300,000,000 in India are not of savage tribes, but, as Lord Curzon said in his Guildhall speech in July, 1904, "of races with traditions and civilisations much older than that of England, with a history not inferior to England in dignity or romance." The Premiers who meet at the Colonial Conferences are, no doubt, men of great talents; yet they work—most naturally—only within their own limits. None of these Conferences have so far faced the subject of India in their Empire arrangement. Without India the Colonial Conferences, instead of being Imperial, were only Departmental organisations. Perhaps it was as inexpedient to ask those who had a prejudice against British Indian labour to concern themselves with the interests of India, as it would be unfair to compel India to give a preference to countries that have introduced legislation against their British Indian fellow subjects. Anyhow, poor India had no representative—official or non-official—in these Conferences, though their deliberations would indirectly, nevertheless enormously, affect the economic position of the 300,000,000 people belonging to the Empire. All India must, therefore, be grateful to the Liberal Government for appointing a representative to watch India's interest in the forthcoming Conference next month. The two Agenda papers of the forthcoming Colonial Conference have, unfortunately, not a word about India.

Unlike the self-governing Colonies, India does not say "Daughter am I in my mother's house, but mistress in my own." India is not a colony



clinging to the parent stem only till it reaches maturity and is capable of separate growth, but is like one of those dependent roots of the mighty banyan tree, which, as it grows and develops, adds to the strength and widens out the circumference of the parent tree. In other words, India is irrevocably bound up with Great Britain. India is her civic as well as economic asset. India's martial races serve in the Indian Army, her citizens pay their share of the cost of the Empire. They were soldiers of the Indian Army who recently, when India herself was distracted and weighed down by famine and plague, saved the colony of Natal from being overrun by Boers at the beginning of the South African campaign, rescued the Legations at Peking, and recovered Somaliland from the Mullah. But, as Lord Curzon observed in his Guildhall speech already mentioned, in the happiness of England's insular detachment, or in the pride of racial expansion, the average Englishman forgets that the greatest constituents of the Empire in scale and in importance lie neither in these islands nor in the colonies, but in the Asiatic Dependency. Not only in population India represents three-fourths of the Empire, but she purchases nearly one-third of the total cotton goods produced by Lancashire. She federates with England on England's terms. While Great Britain receives no contribution in aid of Imperial defence from Canada, and very little from other self-governing Colonies, India pays over £100,000 per annum for the British Navy, and pays her share of the military expenditure of an Imperial character. India is very useful to the Empire in various ways. During the recent troubles in Africa and China, India supplied 21,000,000 rounds of ammunition and 114,000 projectiles and shells, 11,000

tents, 11,000 sets of saddlery, 315,000 helmets, 169,000 blankets, 290,000 pairs of boots, 42,000 tons of fodder and rations, and 940,000 garments of various descriptions, in addition to 11,600 horses, 6,700 mules and ponies, and 2,700 bullocks. Last, though not least, in 1902 India undertook to raise, for the Colonial Office, five native regiments for service in the Asiatic Colonies or possessions of Great Britain. Thus the union of Great Britain-with India is so intimate that their relations with one another must necessarily leave their marks on both countries. India, therefore, cannot be overlooked as a factor in the solution of the fiscal problem. In consideration of the part played by India in the Imperial system, and the services rendered by India in time of England's trouble, it is only natural for India to expect England to hold the scales even between her colonies and her great Dependency.

#### TRADE WITH COLONIES AND INDIA.

Indians—the majority of them—are, no doubt, poor individually, but collectively their importance as a constituent element of the British Empire can hardly be disregarded. Though politically India, as a Dependency, occupies an inferior position to the self-governing Colonies, yet, from an economic point of view, Great Britain cannot make a change in her own fiscal policy without watching its effects, however indirect, upon India. Economically, India cannot be considered a negligible quantity, when the value of Great Britain's export to India is remembered. In 1903 it amounted to £37,359,016, including the value of stores shipped for the Indian Government (*vide* Annual Statement of the Trade of the United Kingdom, 1905. Cd. 3,022, page 368), which

is actually more than her exports to the self-governing Colonies of Canada, Australia, and New Zealand, *put together*. In that year Great Britain exported, in value:—

To Canada	...	...	...	...	£11,112,577
To Australia (including Tasmania)	...	...	...	...	16,144,438
To New Zealand	...	...	...	...	6,361,390
					<u>£33,618,405</u>

Every year Great Britain is gaining more in her exports to India than in her exports to the self-governing Colonies. Let us take the last three years:—

	1903.	1904.	1905.	Increase.
To Canada	£11,112,577	£10,624,221	£11,909,244	£796,667
To Australia*	16,144,438	17,336,470	16,991,009	846,571
To New Zealand	6,361,390	6,315,090	6,425,793	64,403
				<hr/>
Total	£37,359,016	£43,821,615	£47,373,677	£10,014,661

\* Including Tasmania.

† Including the value of stores for the Indian Government.

These figures, which are taken from the latest Blue-book already referred to, clearly show that, while Great Britain's exports to India in the last three years have increased by no less than £10,014,661, her exports to the three important self-governing Colonies *put together* have increased by only £1,707,641; or, in other words, Great Britain's export to India, in the last three years, has increased about six times her *combined* exports to the self-governing Colonies of Canada, Australia, and New Zealand. And what is more important, Great Britain's trade with India, as the Blue-book figures conclusively prove, unlike that with some of the important Colonies, has expanded steadily, continuously, and

satisfactorily. In the British Empire India, therefore, offers the best market for British goods.

Moreover the figures already quoted leave no room for doubt that India is dowered with immeasurable possibilities for the future expansion of Great Britain's trade. Besides, unless the teeming millions in India had implicit faith in the pure and lofty motives of Great Britain, and were thoroughly convinced that she continued to safeguard their interests, the 76,000 British troops garrisoned in India—a tiny speck of white foam upon a dark and thunderous ocean—would be utterly inadequate to keep India tranquil. If by any act of omission Great Britain unwittingly shakes the faith of her Indian subjects in her *bonâ fides* she would irretrievably damage the stupendous and stately edifice of the Indian Empire which British statesmanship has taken generations to build up. Mr. Morley, in his last Indian Budget speech in July, 1906, said, "India holds one of the three or four master keys of the strength of Great Britain. . . . Of all the subjects which engage our attention—for example, in this Session, education, taxation, foreign relations, the Army, the Fleet, North Africa and South Africa—not one of them exceeds in moment and importance to this country the wisdom or unwisdom of the policy that is *pursued in India*." British policy, whether pursued *in* India or *towards* India at home or in the Colonies, must be far-sighted, statesmanlike, and impartial. As Mr. Winston Churchill pointed out in his speech at Manchester on the 19th of February, 1904, "the condition of India is of vast importance to Lancashire. That her markets should be free and her people prosperous and contented is absolutely vital to Lancashire trade." The poverty of the Indian

peasant, largely due to centuries of practical anarchy, is a stern fact which has to be recognised. The prosperity of India does not depend upon her productiveness alone. In a great measure it depends upon the relations of her productivity to the consuming markets in the Continent of Europe. This fact should be borne in mind, Mr. Chamberlain's fiscal scheme is avowedly aimed at the consolidation of the British Empire. The Empire consists of about 400,000,000 people, out of which number the 300,000,000 in India are, unlike the people of Canada, Australia, or New Zealand, not connected with Great Britain by ties of blood, or of speech, or of religious or social affinity. It is, therefore, most desirable that the fiscal tie between Great Britain and India should be most effective as the bond of Empire. Economic unity is essential to the unity of Defence. Mutual interests constitute the primary factors which bind individuals as well as nations. Ninety-five per cent. of the people in India are quite illiterate. Therefore politics do not, and cannot, enter into the ordinary life of the teeming millions of India; but commercial changes sooner or later touch the poorest Indian peasant, and are therefore a constant element of possible approach or divergence between British and Indian interests.

In Lord George Hamilton's telegram of the 7th August, 1903, the attention of the Government of India was directed to the resolution passed at the Conference of the Colonial Prime Ministers in 1902 in favour of preferential tariffs as between different members of the British Empire. Lord Curzon considered the subject from the point of view of Indian interests, and the Despatch of the Government of India, dated the 22nd of October, 1903 (cd. 1,931),

said, "it is more the interests of India to leave matters as they are than to embark on a new fiscal policy, etc." But if India, in her own interests, does not desire to participate in the preferential tariff scheme, can she remain quite aloof? Can she avoid being drawn into it? Would not the preferential tariff scheme affect her, even if she avoided direct participation in it?

The permanent debt of India on which interest is payable in England is about £214,000,000 (*vide* Mr. Morley's Budget Speech, July, 1906). Her net external obligations are about £16,000,000 per annum (*vide* Lord Curzon's despatch No. 324, dated the 22nd October, 1903). The major part of this great charge, as has been so ably pointed out by Lord Curzon (cd. 1931), is payable in a currency different from that in which her revenues are collected. The only means consistent with India's power of discharging this obligation lie in the preservation of an equivalent excess of exports from India over imports into India. Thus India has to stimulate her exports in every way she can. With great difficulty Lord Curzon succeeded in making the Indian exchange steady. The stability of Indian finance now commands public confidence, and Indian rupee securities are now rising in value in the London market, and there is the nucleus of a reserve of gold. Now, if, owing to a change in Great Britain's fiscal policy, the balance of trade in India's favour should dwindle, her exchange will suffer, and the value of the rupee will again go down. Such a catastrophe to India would inevitably react on Great Britain, in consequence of the intimate relations of the two. It is, therefore, that the Conservative leader, Mr. Balfour, said in his speech delivered at the Scottish Conservative Club

in October, 1904, that the best way to solve the fiscal question "is to have a free conference with the self-governing Colonies *and India*, which will determine whether an arrangement be possible or not." Mr. Joseph Chamberlain, the author of the preferential tariff scheme, in his letter to me dated the 23rd March, 1906 (which was published in the *Times* of the 27th March, 1906), himself admitted the truth of this remark, for he said, "in reference to the possible position of India, if a conference on the subject of Tariff Reform is held, the views of India, as expressed by her representatives, ought, in his opinion, to have the same weight as if India were a self-governing Colony."

*Trade between Germany and India.*

To properly understand the position of India in the fiscal controversy, I must refer to the trade between Germany and India, which has during the last decade experienced a marked development; the total value of the annual exports from India to Germany having increased about 50 per cent., while the total value of the annual imports to India from Germany has increased 100 per cent. (*vide* German Trade with India, cd. 2,682-48). Germany now ranks third in importance amongst the various countries of the world, both in the value of the import and of the export trade of India. The total value of the imports to Germany from India in 1904 amounted to £14,745,000, and the total value of exports from Germany to India was £4,155,000. Germany takes direct from India annually about one-fifth of the aggregate Indian cotton crop. She also imports, in addition, Indian cotton *via* Great Britain. In 1904 Germany imported one-fifth of the total Indian raw

jute exports, one-sixth of the total quantity of seeds of all kinds, one-tenth of the total quantity of rice, and one-tenth of the total quantity of manganese exported from India. Besides these, she imports from India large quantities of pepper, wax, oil cake, sandal wood, black lead, tea, etc. The fortunes of India's imports from Great Britain are indissolubly united with those of India's exports. India is able to pay for imports from Great Britain by her exports to the Continent. India exports to foreign countries far more than she imports from them. Thus she, by her exports to foreign countries, obtains a credit balance of annually about £14,000,000, which becomes available towards the payment of what are called the annual Home Charges. It is the exchange of India's commerce by this triangular route that enables her to pay the annual interest due to the British holder of India Stock. The Empire, big as it is, is not big enough to consume all that India already produces of some commodities. In her trade relations with Germany, India is the gainer, as the figures given above clearly show. India's solvency to a great extent depends on the fact that Indian exports, to a value exceeding 38 million sterling, and approximating to one-half of the entire volume of India's export trade, are admitted free of duty into the consuming markets. India is an exporter almost entirely of food grains and raw materials. Foreign countries no doubt require raw materials for their manufacturing industries. But, as Lord Curzon pointed out so ably in his despatch already referred to, India does by no means enjoy an effective monopoly in food grains and raw materials. Her success in foreign markets is more due to the cheapness of her raw materials than to their quality or kind. The connection of Germany



and other foreign countries with the trade of India is an important factor in the proper solution of the new fiscal scheme. When Great Britain puts a tariff on German goods it is probable that Germany, through her tariff, will wreak vengeance on India in order to bring pressure to bear on Great Britain. Russia enhanced her already exorbitant duty on Indian tea as an answer to the passing of the Sugar Convention Bill in the Imperial Parliament. Russian duty on Indian tea is simply enormous, amounting to nearly 275 per cent. *ad valorem*. With reference to the first experiment in Tariff Reform—the Sugar Convention—the following questions and answers reproduced *verbatim* from Hansard, of 22nd March, 1906, will be found interesting.

#### “RUSSIAN DUTIES ON INDIAN AND CEYLON TEAS.

SIR SEYMOUR KING: I beg to ask the Secretary of State for Foreign Affairs whether he is aware that Indian and Ceylon tea, shipped to Russian European ports, either direct or *via* United Kingdom, is subject to a differential duty of one penny per pound as against tea produced by other countries; and whether, seeing that recent telegrams give ground for supposing that the Russian Government contemplate still further imposts on British grown tea, and that orders for Indian and Ceylon tea have consequently been held back, pending further information on the subject, he will say whether any remonstrances have been addressed to the Russian Government; and whether His Majesty's Government will use every effort to prevent this industry being thus handicapped in Russian markets.

SIR EDWARD GREY: The answer to the first

question is in the affirmative. I have no reason to suppose that the duty will be further increased. It is not proposed to make further representations to the Russian Government, as those made a few months ago led to no result.

SIR SEYMOUR KING: Will the Government consider the advisability of retaliating upon Russian oil?

SIR EDWARD GREY: These particular duties which the Russian Government have imposed are by way of retaliation for the prohibition of Russian sugar under the Sugar Convention. I do not think it will be desirable to carry the game of retaliation any further."

Again on the 10th April, 1906, the subject was pursued in the House of Commons.

*"Russian Retaliatory Import Duties.*

SIR SEYMOUR KING: To ask the Secretary of State for Foreign Affairs whether, in view of the fact that the Russian Government has imposed extra duties on Indian and Ceylon teas, by way of retaliation for the prohibition of Russian sugar by Great Britain, under the Brussels Convention, he can state if Russia has retaliated in any way against any of the other nations which were parties to the Convention; and if not, why India, which was not a party to the Sugar Convention, should be singled out for vicarious punishment for Great Britain's action; and what steps His Majesty's Government propose to take for India's protection.

SIR EDWARD GREY: The reply to the first question is in the negative. With regard to the second, His Majesty's Government have not been informed of the reason why Russia retaliated upon India and

Ceylon and not upon the United Kingdom. With regard to the third, I would refer the hon. member to the answer given to him on the 22nd ultimo."

In the face of such *actual* retaliation against India for the action of Great Britain, Sir Roper Lethbridge, in the book previously quoted, coolly takes the British public into his confidence and assures them (page 37) that the Protectionist Government "are not in the least likely to increase the duties on any Indian goods whatever simply out of pique, as some silly old women might do." One fact, however, is a better guide than fifty speculations.

A tariff discriminating against Russian petroleum, might, for a time, force Russia to lower her duty on Indian tea. But a tariff war in the long run ruins both parties. Russia's tariff war with Germany, which lasted from August, 1893, to March, 1894, taught both countries a lesson not to be easily forgotten. Trade between the two countries reached the lowest point it had touched for some years. The termination of hostilities by an agreement resulted in a renewal of growth of their mutual trade. The trade between the two countries increased both absolutely and in proportion to that with other countries. The exports of Russian food stuffs to Germany, and of German manufactures to Russia, increased about 200 per cent. A tariff war never pays. India has probably lost more by Russia's retaliation on her tea than the West Indian sugar industry has gained. It would be interesting to calculate what the net result of the Sugar Convention is—loss or gain to the Empire taken as a whole. As Mr. Winston Churchill observed in the House of Commons on the 29th July, 1903, in his speech on the Brussels Sugar Convention Bill, "every country

ought to be governed from some central point of view where all classes and all interests are proportionately represented." Is it sound statesmanship to introduce a measure which, however indirectly, takes out from the pockets of one class of British subjects in order to fill the pockets of another class of British subjects? The Sugar Convention has not benefited the West Indies effectually, but has made India suffer substantially. Poor India was apparently sacrificed in the supposed—not real—interest of the West Indies, with which Great Britain's trade, in 1905, amounted to only £1,967,165, as against £47,373,677 with India!

That any change in the fiscal condition of India is undesirable was held not only by Lord Curzon, but by two Secretaries of State on both sides of politics, Sir Henry Fowler and Lord George Hamilton; by three other ex-Viceroy, Lord Northbrook, Lord Ripon, and Lord Elgin; and at least two most prominent Governors, Lord Reay, late Governor of Bombay, and Sir M. E. Grant-Duff, late Governor of Madras.

England's possession of India constitutes unquestionably the greatest and most solemn trust ever placed in the hands of any nation since the creation of the world. Lord Randolph Churchill, in 1885, remarked that India was "the most truly bright and precious gem in the Crown of the King, the possession of which more than of all your other colonies or great possessions raises the reputation of these small islands above the level of the majority of nations and of states, and places them in a position of equality with, and possibly even superiority over, the greatest empires of ancient and modern times." Lord Curzon supported this view in his speech at the

Royal Societies Club on the 7th November, 1898: "India has always appeared to me to be the pivot and centre—I do not say the geographical, but the political and Imperial centre—of the British Empire. . . . There lies the true fulcrum of dominion, the real touchstone of our Imperial greatness or failure." At the recent Delhi Durbar, in his memorable speech, his lordship thus emphasised the point: "I think a principal condition of England's strength is the possession of the Indian Empire and the faithful attachment and service of His Majesty's Indian people."

Honour and fair play alike forbid Great Britain to surrender India's interest to the Colonies. Empire is larger than race and nationality. It is with Indian labour that the colonists work the plantations of Demarara and Natal. Mr. Chamberlain's preferential tariff scheme is aimed at the competition of white continental labour with white British labour. In no distant future England will have to face the competition of cheaper yellow labour, worked by intelligent Japanese heads and industrious Chinese hands. But England's possession of India enables her to face even a contingency like this. In fact, England alone among the Western Powers need not dread competition with Asiatic cheap labour. When England realises her position properly and joins English white heads to Indian brown hands, British Imperial industries would enter upon an era of prosperity undreamt of yet. The political force and the moral grandeur of England will indisputably be increased by the association of India in all conferences which affect the fiscal policy of the Empire, and the demonstration of such real cohesion is sure to raise the British Empire in the estimation of the world.

Lord Curzon, who is by instinct and conviction a true Imperialist, pointed out in his fourth Budget Speech at Calcutta on the 26th of March, 1902, that India's services to the Empire "do not stop short at the loan of military resources and men. India is becoming a valuable nursery of public servants in every branch of administration, upon whom foreign governments as well as the British Empire show an increasing inclination to indent. We have over a dozen officers in the service of Siam, we have medical officers serving in Persia, Abyssinia, East Africa, and Straits Settlements. We have engineers in Egypt, Nigeria, Uganda, and China. We have Postal and Telegraph officers at the source of the Nile, on the Zambesi, and at the Cape."

In the name of 300,000,000 of my fellow countrymen, who have no voice in the fiscal policy of the Empire, I appeal to the British nation, to the conscience of a free and high-minded people, whose sense of justice is not limited by race or creed or colour, to see that in dealing with Imperial questions they do not ignore or forget the interests of their loyal fellow subjects in India. This is not a question of amending the constitution of the Government of India, or giving greater political power or more appointments to Indians: it is a question of fiscal policy affecting the lives and fortunes, the financial and domestic concerns of the whole population of that vast Dependency of the Crown.

S. M. MITRA.

# WHAT COLONIAL PREFERENCE MEANS

REPRINTED FROM  
"THE PRODUCE MARKETS' REVIEW"  
OF JULY 13TH AND 20TH, 1907



CASELL AND COMPANY, LIMITED  
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1907





# WHAT COLONIAL PREFERENCE MEANS.

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JULY 13 AND 20, 1907.

WHETHER we are Liberals, Conservatives, or Labour men, all parties in the State wish well to our fellow subjects beyond the seas, and would be glad to help them if we could. The Little Englander is, in fact, an imaginary being. We already relieve the Colonies of the necessity of external defence at a cost to the struggling millions of this heavily-laden country of some 65 million pounds a year, or, if the interest on our debt be added, of some 90 million pounds, and it is to be borne in mind that our debt was to a large degree built up in the acquisition and defence of our Empire. Beyond this we have supplied them with many hundreds of millions for their development, and of late years have made their securities Trustee stocks, to the considerable loss of our own funds. Further, we have given to our self-governing Colonies entire internal liberty, without any reservation of the vast Crown Lands contained in them, or any return for our past expenditure in their acquisition and development. We have left them complete freedom to tax the manufactures of the home country, and to limit the immigration of our own people and of our fellow subjects in Crown colonies and possessions, to the vast and fertile regions whose administration we have handed over to small handfuls of our colonists. This represents a bold, a generous, and a broad-minded policy, deliberately entered upon and

pursued by the Mother Country for the benefit of her children beyond the four seas. Nor does anyone at home desire to take back anything that has been given, or to limit the freedom of these great new English communities. Rather it is the universal wish to see them acquire every fresh liberty they may want, if they are still hampered in any way by old traditions. With the passage of time we hope to see the Colonies becoming great States within the British Commonwealth. As years go on we look to our children becoming our allies—under a common Crown, and to our race in our own dominions, and we may even hope in America, not only progressing morally, socially, and economically, but enforcing a *Pax Britannica* throughout the world. This is a great ideal for us all to strive for. Yet it is what Lord Rosebery has called sane Imperialism, devoid of covetousness or envy of other peoples' prosperity or possessions, and free from the slightest taint of that music-hall Jingoism which is so painful a growth of late years. We are all content with our family estate, and while we mean to hold it against all comers, our chief desire is for its rapid development.

As we grow older we all become aware in our home circles that the younger generation thinks that their parents fall behind the age and become old-fashioned in ideas, while the elders think that the young wish to go too fast, and that they are thus liable to fall into errors which experience has shown to be the lot of young men in a hurry. This condition of things is repeated on a far larger scale in our Imperial family. Our colonists think the old folk at home have fallen into the vale of years, if they have not reached their dotage, and that all wisdom is to be found among the younger generations across the seas. But (as Jowett remarked to the undergraduate who obtruded his opinion among grave and reverend seniors) we are none of us so wise as we think, even the

youngest among us. While the old country is willing to learn from its children, it has a long history of error and of slow progress burnt into its memory, which newer communities have not. When, therefore, our colonists adopt our discarded methods we can look on tolerantly, while we reflect that the diseases of youth have to be gone through before maturity is reached, and that this is all in the natural course of humanity.

Especially is this attitude natural with reference to Protection, that old economic dragon slain by us so long ago and after such fierce struggles. That new countries should espouse the heresy is natural enough, for in them it does not affect their food, while indirect revenue is far more easy to raise in young and scattered communities, and interested parties have a freer hand in so working fiscal arrangements as to divert to their own pockets what should be public revenue. Hence it is natural enough that our colonists should have adopted Protection, as it has not such obviously evil effects in new countries, with their untapped wealth and their resources enormous in proportion to their sparse population. It is also natural enough that they cannot realise that we are in a totally different position, with our small and densely peopled islands, with their economic developments going back for two thousand years. Our Colonies have endless supplies of food for the asking, and they have not reached the stage when they can profitably manufacture for those outside their boundaries. They cannot, therefore, realise that the United Kingdom is unable to feed itself without importing corn and meat from abroad, and that we also live by manufacturing for the world, for which purpose we have to import increasing quantities of raw materials from which to work. In short, the Colonies export food and raw materials, and we export the manufactures, by which it is stated that one-third of our population live.

Not content with their natural development in opening up virgin continents, our Colonies, hasting to emulate old communities, wish also to manufacture, a natural ambition which in the course of years would be fulfilled without injury, but which can only be attained at present by Protection : that is, by hindering their normal development by raising the cost of living, and thus delaying the growth of agriculture, of mining, and of other exploitations of the soil. All this, however, has nothing to do with us at home. We have given our colonists self-government, and this includes absolute fiscal freedom, even when they proceed to shut out by duties those manufactures by which the Mother Country lives. We think they are mistaken, but we do not complain, for they are free to do as they please. Of late years, however, the self-governing colonists have gone further, and they now ask the Mother Country, which already gives them practically absolute freedom to enter her markets, to go further and to surtax the imports of foreign countries.

#### BUSINESS AND PREFERENCES.

An immense amount has recently been heard of Colonial Preferences, and any amount of laudable sentiment has been imported into the question. This, however, is a matter of business, and it has to be regarded commercially, which is the main, if not the only, standpoint from which a change in our fiscal system could be justified. We design, therefore, to look at this particular proposal in the cold light of statistics, to see what it involves arithmetically regarded and what results its adoption would be likely to have on the preponderating partners in the Empire—the 40,000,000 Britons at home, as compared with the 11,000,000 abroad. Mr. Chamberlain, the apostle of the Protectionist revival, has himself stated what is indeed obvious, that we cannot give pre-

ferences without taxing food. This is a serious initial difficulty in a country like this, which can only be kept alive by foreign supplies of our daily bread, our meat, our butter, our cheese, and so on, for it is believed that the supplies of home-grown food-stuffs are insufficient to supply more than one-third to one-half of our population. It is to be remembered also that although this question is generally discussed upon the dear or the cheap loaf, this is now only a portion of the problem. Imports of meat and dairy produce were not conceivable in the Corn Law days, but they are now of the last importance. If we were to have dearer bread we should at the same time have dearer beef, mutton, pork, bacon, butter, and cheese. Of course, we can by Protection materially raise the price of all these commodities, but it is difficult to imagine that the British public would stand such an application. It is true that Germany has so taxed meat that it fetches 1s. 6d. per pound in Berlin just now, but he would be a bold statesman who would try such an experiment in London. Of course we are told that no such results would follow here. The tax on food would be so moderate that it would not be felt, particularly as the foreigner would pay it. Precisely the same arguments have always been used in recommending Protection. It always begins, as it did in Germany, in a small and timid way, but the appetite of the protected grew so rapidly that the taxes have been raised three times in thirty years. Nor do the Germans find that the foreigner pays, although they do find that the prices for home produce rise in proportion to those of the imported foods, to the benefit, no doubt, of the German landlords, but with no benefit to the State either in revenue or otherwise.

#### TRADE OF THE EMPIRE.

Before considering the question of taxing food, it is

well to look at the comparative statistics of our oversea trade, and to gather generally what is involved by the demands of our self-governing colonies, Canada, Australia, and South Africa (and of no other part of an Empire of which they form only one fortieth part in population).

The following is taken from the Blue-book Cd. 3328, and shows the trade of the entire British Empire in 1905:—

VALUES OF THE FOREIGN AND INTER-IMPERIAL TRADE OF THE  
BRITISH EMPIRE IN 1905.

Trade of the British Empire with foreign countries—				
Imports	...	...	...	£563,453,000
Exports	...	...	...	448,688,000
Total foreign trade	...	...	...	£1,012,141,000
Trade of the United Kingdom with British Colonies and Possessions—				
Imports	...	...	...	£161,900,000
Exports	...	...	...	135,524,000
Inter-Colonial trade—				
Imports	...	...	...	57,143,000
				£354,567,000
Grand Total	...	...	...	£1,366,708,000
Percentage proportion of—				
Foreign trade	...	...	..	74'1
Inter-Imperial trade	...	...	...	25'9

IMPORTED FOOD.

Having considered our import trade as a whole, we have next to deal with the various food-stuffs which reach us from oversea. The following has been compiled from the Annual Returns of Trade and Navigation published by the Board of Trade.

IMPORTS OF FOOD, 1906.  
SUMMARY OF CLASS I.

	<i>From Foreign Countries.</i>	<i>From Self- Governing Colonies.</i>	<i>From Other British Possessions.</i>	TOTAL.
	£	£	£	£
A. Grain and Flour .....	51,429,402	9,604,589	6,846,598	67,880,589
Percentage .....	75.7	14.2	10.1	
B. Meat, including animals for food .....	39,152,754	12,810,914	62,785	52,026,453
Percentage .....	75.2	24.6	.2	
C. Other food and drink ..	84,427,651	15,009,852	14,094,784*	113,532,287
Percentage .....	74.3	13.2	12.5	
D. Tobacco .....	4,640,302	10,128	68,397	4,718,827
Percentage .....	98.3	.2	1.5	
<b>TOTAL .....</b> £	<b>179,650,109</b> 75.4	<b>37,435,483</b> 15.7	<b>21,072,564</b> 8.9	<b>238,158,156</b>

\* Nearly all Cocoa, Coffee, and Tea.

It will be seen, taking the figures as a whole, that more than three-quarters of our supplies reach us from foreign countries, and less than one-quarter from the British Empire. Of this amount less than one-sixth reaches us from the self-governing Colonies, and what reaches us from the other parts of the British Empire is not, generally speaking, food at all, but is mainly cocoa, coffee, and tea. The last-named commodity obviously, by the way, requires no preference, as it has practically already ousted China from our markets. The request of our self-governing Colonies is, therefore, that for less than one-sixth of our supplies we should raise the price of five-sixths of the food supplies we import, and also of the £200,000,000 or £300,000,000 of foods we produce at home. In other words, that for the sake of £37,000,000 worth from our Colonies we should raise the price to ourselves of £400,000,000 or £500,000,000 of food-stuffs. Assuming that the duty average 5 per cent., the cost to the nation would be £20,000,000 or £25,000,000 a year, and at 10 per cent. £40,000,000 or £50,000,000. It is

right to add that these figures are not quite correct, as a certain proportion of the Canadian supplies are shipped by way of the United States, and are thus returned as foreign supplies, but this correction would not materially affect the above calculations.

We are also told that the supplies of food from our Colonies would rapidly increase if they enjoyed preferential duties. They would indeed need to do so if the British nation were not to die of starvation. The question is whether it is practicable for the supplies to increase so quickly that this result could be avoided. What would be required would be a quadrupling of our colonial supplies within a year or two—a result so miraculous that it may safely be dismissed as impossible. Already Canada is opening up the wheat fields of Manitoba as fast as is practicable, and it is quite possible that in ten years or so they might supply us with the bread we require. This process, however, is already going on as fast as the ground can be broken up and sown. The Manitoban farmers are doing this without preference, and presumably at a good profit. Why, then, should we starve ourselves in order to further enrich them? Similar remarks apply to Canadian and Australian dairy farmers, &c., who make and ship to our free market every pound of produce they can prepare. Besides, it must be recollected that a large portion of the Canadian food supplies at present traverse the United States in bond for shipment from Portland or other American ports. If preferences were given by England, this privilege can be withdrawn in a minute by the order of the President. Possibly the food could then be shipped from Halifax or from other Canadian ports, but, of course, at an extra cost, for it would otherwise not at present be sent from American towns.

#### RAW MATERIALS.

The next division in the Board of Trade returns con-



sists of raw materials of all sorts, and here we enter on a somewhat controversial question. Many of the colonists, though willing to tax our food, see that to tax the raw materials of the manufactures by which we live would indeed be a large order. Yet, as was pointed out by our Government at the recent Imperial Conference, the taxation of raw materials must necessarily follow if food preferences are given. Some Colonies do not send us food at all, such as South Africa, and others, such as Australia, send us mainly wool or metals. It is, therefore, necessary to consider the following table of our imports of raw materials:—

## IMPORTS OF RAW MATERIALS, 1906.

## SUMMARY OF CLASS II.

	<i>From Foreign Countries.</i>	<i>From Self-Governing Colonies.</i>	<i>From Other British Possessions.</i>	TOTAL.
	£	£	£	£
A. Coal, Coke, and Manufactured Fuel .....	47,037	..	63	47,100
Percentage .....	99.9	..	.1	
B. Iron Ore, Scrap Iron, and Steel .....	6,632,079	29,535	105,142	6,766,756
Percentage .....	98.1	.4	1.5	
C. Other Metallic Ores ....	6,622,439	1,948,805	458,900	9,030,144
Percentage .....	73.3	21.5	5.2	
D. Wood and Timber .....	21,279,840	5,039,303	1,188,267	27,507,410
Percentage .....	77.4	18.3	4.3	
E. Cotton .....	54,281,052	145,158	1,699,043	56,125,253
Percentage .....	96.8	.2	3.0	
F. Wool .....	7,136,546	21,754,313	1,624,859	30,515,718
Percentage .....	23.3	71.2	5.5	
G. Other Textile Materials..	7,401,587	724,431	8,898,695	17,024,713
Percentage .....	43.4	4.2	52.4	
H. Oil Seeds, Nuts, Oils, Fats and Gums .....	16,662,248	2,746,679	6,225,287	25,634,214
Percentage .....	65.0	10.7	24.3	
I. Hides and Undressed Skins	5,504,939	3,446,244	1,748,513	10,699,696
Percentage .....	51.4	32.3	16.3	
J. Materials for Paper Making .....	3,675,879	189,018	70,512	3,935,409
Percentage .....	94.3	4.0	1.7	
K. Miscellaneous .....	18,662,953	2,129,686	3,399,275	24,191,914
Percentage .....	77.1	8.8	14.1	
TOTAL .....	£ 147,906,599 70	38,153,172 18	25,418,556 12	211,478,327

It will be seen that, taken as a whole, approximately seven-tenths of our raw materials come to us from foreign countries, two-tenths from self-governing Colonies, and one-tenth from other British possessions. The prospect of taxing the articles embraced in the table is little short of appalling. We are, to begin with, to pay £20,000,000 to £50,000,000 more for our food, and then to pay £10,000,000 or £20,000,000 (at 5 or 10 per cent.) on the materials imported for our manufactures. Besides this we are to pay a similar percentage of increase for such of our raw materials (wool and timber, for instance) which we also produce at home. The case of raw materials also differs materially from that of food, inasmuch as a far larger proportion is produced in British oversea possessions other than self-governing Colonies. Why should India and the Crown Colonies be left in the cold while the Dominions of Canada and New Zealand (the latter with about the population of Birmingham) and the Commonwealth of Australia receive their preferential millions? Such favouritism would be grossly unfair. It is true that India, with its 300,000,000 of people, objects to the preferences asked for by the 11,000,000 self-governing colonists. But India, like the Mother Country, is said to be turning from the new light illuminating the Antipodes and British North America, to say nothing of that emitted by the economic sages inhabiting South Africa. Yet the Mother Country would have to be impartial and to scatter its gifts fairly all round among its children. It is worth considering some of the details of our imports of raw materials, for it will be seen that they affect practically every interest in the country except the coal miners. The metal workers, the textile weavers in Lancashire and Yorkshire, the boot-makers in Nottingham, the builders, the newspaper people (including those violent Protectionists the yellow halfpennies), the oil-

refiners, the cattle-food makers (and through them the farmers), would all be severely hit. What with dearer food and dearer materials, it would be impossible for the British consumer, paying much more for his nourishment, to pay more also for his clothes, his furniture, and his houses. As regards our exports of manufactures, they would come more or less to an end without a liberal system of drawbacks, ending inevitably in export bounties, which, again, would have to be paid by the home consumer. In calculating these drawbacks the duty on the raw material, the extra wages necessary to pay for dearer food, the larger capital employed, and the requisite return upon it would all have to be considered. The drawbacks would, no doubt, be fixed with the aid of some such impartial body as the Tariff Commission, with all the openings for widespread political corruption which such a system would lead to, as it has done in most Protectionist countries. These are a few of the grounds on which the taxation of raw materials is unthinkable, though it would logically and inevitably follow if we adopted Colonial Preference.

#### IMPORTED MANUFACTURES.

The next great division in our Imports need not delay us long from the colonial point of view, for our self-governing Colonies send us practically no manufactures. The following analysis is, however, important to the Mother Country from a different point of view.

## IMPORTS OF MANUFACTURES, 1906.

## SUMMARY OF CLASS III.

	<i>From Foreign Countries.</i>	<i>From Self- Governing Colonies.</i>	<i>From Other British Possessions.</i>	TOTAL.
	£	£	£	£
A. Iron and Steel, Manu- factures thereof .....	8,348,110	992	10,650	8,359,752
Percentage .....	99.7	..	.3	
B. Other Metals, Manu- factures thereof .....	17,313,827	4,076,865	6,841,034	28,231,726
Percentage .....	61.3	14.4	24.3	
C. Cutlery, Hardware, Imple- ments .....	3,762,161	6,862	2,593	3,771,616
Percentage .....	99.7	.1	.2	
D. Electrical Goods and Ap- paratus .....	1,186,631	..	994	1,187,625
Percentage .....	99.9	..	.1	
E. Machinery .....	5,023,649	93,537	9,786	5,126,972
Percentage .....	97.8	1.8	.4	
F. Ships (new) .....	28,286	..	114	28,400
Percentage .....	99.7	..	.3	
G. Wood and Timber, Manu- factures of .....	1,888,629	119,638	8,461	2,016,728
Percentage .....	93.5	5.8	.7	
H. Yarns and Textile Fabrics Percentage .....	39,234,930	1,181	2,248,346	41,484,457
Percentage .....	94.8	..	5.2	
I. Apparel .....	3,778,552	..	5,926	3,784,478
Percentage .....	99.8	..	.2	
J. Chemicals, Drugs, Dyes, etc. ....	8,894,668	246,429	963,014	10,104,111
Percentage .....	88.3	2.4	9.3	
K. Leather Goods .....	9,158,895	799,079	2,787,156	12,745,130
Percentage .....	71.8	6.7	21.5	
L. Earthenware and Glass.. Percentage .....	4,215,588	..	3,574	4,219,162
Percentage .....	99.0	..	1.0	
M. Paper .....	5,488,490	175,608	64,407	5,728,505
Percentage .....	95.5	3.0	1.5	
N. Miscellaneous .....	27,980,867	135,326	904,536	29,020,729
Percentage .....	96.4	.6	3.0	
TOTAL .....	136,303,283	5,655,517	13,850,591	155,809,391
	87.5	3.8	8.7	

Colonial preferences would inevitably entail a general tariff on all foreign goods, including manufactures, for raw materials and finished commodities are so interlaced that this result must follow. Besides, a tax on foreign manufactures is one of the main planks in the Tariff Reform platform. We are to tax these goods to give work to the home workers, already to be so overburdened with duties on their food and their raw materials. Our

mechanics would indeed sorely need such help under the terrible change in their position. Whether making everything dearer would help them at all is quite another question. Free Traders would argue that a general tariff would only add to their burdens. Here, again, it has to be borne in mind that our imports of foreign manufactures are only a tithe of our home production, and that the tax of 10 per cent., or £15,000,000 a year, on our imports, proposed by the Tariff Reformers, would mean a tax beyond of possibly £45,000,000 or £60,000,000 a year on the British consumer, of which, say, one-quarter only would reach the Treasury. It has to be remembered also that these so-called imported manufactures are in almost every case really the raw materials of some other manufacture or industry at home. In looking through the above analysis of manufactures we can only think of earthenware and glass that are not so, and even they presumably yield a profit to our china shops, which would decrease under Protection.

#### MISCELLANEOUS IMPORTS.

To finish our table of imports we give for completeness only, and as needing no comment, a return of our miscellaneous imports, two-thirds of which represents the value of the Parcels Post.

#### IMPORTS OF ANIMALS (NOT FOR FOOD) AND MISCELLANEOUS ARTICLES, 1906.

##### CLASS IV.

	<i>From Foreign Countries.</i>	<i>From Self- Governing Colonies.</i>	<i>From Other British Possessions.</i>	TOTAL.
Miscellaneous and unclassified Percentage.....	£ 1,863,269 76.3	£ 179,782 7.3	£ 399,575 16.4	£ 2,442,626

SUMMARY OF IMPORTS INTO THE UNITED  
KINGDOM, 1906.

	<i>From Foreign Countries.</i>	<i>From Self- Governing Colonies.</i>	<i>From Other British Possessions.</i>	TOTAL.
	£	£	£	£
Class I.—Food, Drinks, and Tobacco .....	179,650,109	37,435,483	21,072,564	238,158,156
Percentage .....	75.4	15.7	8.9	
Class II.—Raw Materials and articles mainly unmanufac- tured .....	147,906,599	38,153,172	25,418,556	211,478,327
Percentage .....	70	18	12	
Class III.—Articles wholly or mainly manufactured ...	136,303,283	5,655,517	13,850,591	155,809,391
Percentage .....	87.5	3.8	8.7	
Class IV.—Miscellaneous and unclassified.....	1,863,269	179,782	399,575	2,442,626
Percentage .....	76.3	7.3	16.4	
 TOTAL .....£	 465,723,260 76.6	 81,423,954 13.3	 60,741,286 10.1	 607,888,500

TOTAL IMPORTS.

We give also, for purposes of reference, the following analysis of our total imports for the five years ended 1905:—

	<i>Foreign.</i>	<i>Self-Governing Colonies.</i>	<i>Other British Possessions.</i>	TOTAL.
Year.	£	£	£	£
1901	416,305,318	60,331,874	45,353,006	521,990,198
1902	421,474,817	59,879,316	47,037,141	528,391,274
1903	428,929,497	63,590,934	50,079,858	542,600,289
1904	431,020,222	64,905,604	55,112,802	551,038,628
1905	437,151,191	72,105,866	55,762,860	565,019,917

RESULTS OF PREFERENCE SO FAR.

In the fifteen years from 1891 to 1905 (the last years shown in the Statistical Abstract), the total British imports and exports increased £128,000,000 as a whole. Of this total increase only £12,000,000 went in exports of British produce to Canada, Australia, New Zealand, and South Africa—or one-tenth of the whole. To Australia, taken

alone in the same period, and notwithstanding the preferences, our exports fell off £5,000,000. During the whole fifteen years the proportions of exports in our foreign and Imperial trade remained unchanged, and were 77 per cent. for foreign countries and 23 per cent. for the Colonies, including re-exports. More than three-quarters of our trade was thus extra-Imperial; and we are asked to jeopardise this for the sake of one-quarter, most of it in goods which we do not, and cannot, produce. Our exports of British goods in 1905 were as follows:—

To South Africa	...	...	...	...	£16,360,319
Australia	..	...	...	...	16,991,009
New Zealand	...	...	...	...	6,425,793
Canada (including Newfoundland and Labrador)	...	...	...	...	12,341,453
Total to Self-governing Colonies					£52,118,574
To British India	...	...	...	...	£42,996,388
Other British Possessions	...	...	...	...	18,322,849
Total to British Possessions					£113,437,811
Total to foreign countries					£216,378,803
Total oversea exports (not including re-exports)					£329,816,614

It will be seen from this table how preponderating is the share of our British Indian Empire, and how insignificant is the relative position of the various groups of our self-governing Colonies. India, it will be recollected, strongly objects to preferences, because we cannot take nearly all her produce, and to irritate her foreign customers could only cause injury. Our exports to our chief foreign customers in 1905 were as follows:—

Germany (not including what may go through Holland and Belgium)	...	...	...	...	£42,742,300
France and Colonies	...	...	...	...	24,000,000
China (excluding Hong Kong and Macao)	...	...	...	...	13,298,828
United States	...	...	...	...	47,288,088

Here, again, the relative insignificance of the trade with our self-governing Colonies, taken separately, is evident, and also how unimportant the item is as a whole.

#### PREFERENCES TO BRITISH GOODS.

It will, of course, have been obvious that we have not considered the other side of the question—namely, that the Colonies would, in return for our preferences, give us a more favoured position on their markets. As a matter of fact, these concessions have already been made to us to a large extent, but in practice they have turned out to be generally illusory, though useful in particular instances. In fact, the colonists start from the basis of effectually protecting their own internal factories against all comers—including the British ones, who are the most formidable. The door of imports is locked against us, and it is very little good, except as a compliment, to double-lock it against the foreigner. In counting up the reciprocal values of concessions it must also be remembered that colonial preferences mean a reduction in duties in the Colonies and possibly a further reduction in the price to the consumer, owing to British competition being even remotely possible. All this means a reduction in the cost of living. English preferential duties would, however, have to be imposed to begin with, for they do not exist at present. This would raise the cost of living here by the Customs Tax, and also incidentally by the protection which the new duties would give to our home production. Preferences here and in the Colonies thus mean absolutely different things. They are advantageous to the colonists, who buy more cheaply owing to the reduction in duties, by which they benefit. The situation in England would be reversed.

#### FOREIGNERS AND PREFERENCES.

We have hitherto mainly considered preferences from



their direct tendency to increase the cost of living in the United Kingdom, but there are other considerations which show their undesirability. Three-fourths of the import and export trade of the Mother Country is with foreign countries, and is to an immense extent carried on under the operation of the "most favoured clause" in commercial treaties. If we cease to be a Free Trade nation, is it to be supposed that Protectionist countries will extend the same favourable treatment to us? There is every probability, if not a certainty, that they would not do so. If this took place, not only would colonial preferences raise the cost of living here and the cost of production, but they would expose us to serious fiscal retaliation, and would further injure our export trade, which would be already jeopardised by the expense of manufacture being raised. Similar considerations apply, though in a smaller degree, to the self-governing Colonies. They have a large and growing trade with foreign countries, and this would be exposed to serious risks of retaliatory measures, such as those which have almost stopped the trade between Canada and Germany. This is the more important because our Empire already produces a good many commodities to a greater extent than its entire internal consumption, and there is a daily greater tendency in this direction. Among the articles already produced almost up to or beyond the requirements of inter-Imperial demands are: wool, tallow, hides, sheepskins, cheese, tin, tea, rice, jute, pepper, ginger, sago, indigo, palm and cocoanut oils, seeds and nuts, mahogany and teak, dye woods, some drugs, guttapercha, &c. These commodities would apparently be injured outside our market by our preferences, while they would not benefit within its borders. India is especially dependent on foreign countries, because the Empire cannot consume all its products. It is only certain articles that would

benefit by preference, and it would pass the wit of man to draw up a tariff that would give equal advantages to the different States of the Empire. Under Preference the supplies of these goods would flow in a concentrated stream to Great Britain, and, with the increasing supplies, competition here would sooner or later deprive the colonists of any benefit that preferences might have given them at first. One curious result of preference would be to raise the cost of living in the Colonies themselves. If a price beyond what is current elsewhere were established, say, for wheat, colonial growers would expect, and get, the same price at home, thus raising the cost of bread. The surplus produce of wheat would all come here to obtain the higher English price, so that another colony—South Africa, for instance—which imports wheat would have to choose between buying in British Colonies at a higher price or in outside markets at a lower one. Of course, it would choose the latter—a strange result of Preference.\*

In connection with possible retaliation by foreign countries, the great re-export trade of the Kingdom has to be remembered; our total re-exports in 1906 were over £85,000,000, of which nearly £76,000,000 went to foreign countries. A very large proportion of these goods originally came from British possessions, though the exact amount cannot be given, because the places of origin are not given by the Board of Trade for our re-exports. Nothing would be easier than for foreign countries to stop this trade, and this would inflict a direct injury upon our Colonies as well as on ourselves.

#### CONCLUSION.

The general results of our figures show that colonial preferences would probably lead to a new charge of

\* Some of the arguments in this paragraph are from a pamphlet on "Empire Commerce," by Senator Pulsford (Cassell's), 3d.

£100,000,000 a year on the British consumer, and without considering any further burdens on him through difficulties with foreigners. The summary statistics we have given, indeed, practically speak for themselves, and require little argument to enforce them. No one who studies them can believe that colonial preferences are practicable, and far less that they are desirable. We only wish that we could give the mass of details from which our tables have been built up, for they are even more convincing than the summaries, but they would occupy some ten pages of this paper, and would not be lively reading. We append, however, in a note, a list of the main articles on which colonial or imperial preferences would necessitate duties, ending, as we believe they would, in a general tariff on the whole of our imports, say, roundly, on 1,500 or 1,600 commodities.

We have not touched on the political or imperial objections to preferences, but their ultimate effect, in the opinion of most Free Traders, would be to shatter the Empire into fragments. We lost the United States through attempting to tax them. Let us take care that the Colonies do not reverse the process and lose the Mother Country through taxation, to say nothing of the inter-colonial jealousies and quarrels that a preferential tariff would lead to. We are a prosperous and happy family as we are. We have the ties of blood, of affection, of common objects and sympathies. We have an almost unimaginable future before us under the present system. Let us not sacrifice all this and descend to the attempt to make our connection one of cash and of huckstering. In our own families we do not try to see how much we can get out of each other, but our object is to promote our common welfare. The colonies do not wish to exploit the Mother Country, but in some extraordinary way they think we should benefit by raising the cost of living, in

this old and already overburdened land. They imagine that the more speedy development of the Empire would repay us for any sacrifices we may make. The Empire is, however, developing quite fast enough without such artifices, and it would be in a sad plight indeed if the preponderating partner, the United Kingdom, were injured, or, as we believe, ruined, by that return to Protection which would clearly follow Colonial Preferences.





THE COLONIAL CONFERENCE OF  
1907

EMPIRE COMMERCE

BY

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## EMPIRE COMMERCE

The Colonial Conference is so interesting, and carries with it such possibilities that the public may be expected to take a deep interest in it, and as one of them, the writer hopes he may be excused if he respectfully ventures to put on paper certain points for the consideration of the Prime Ministers who represent the various colonies at the Conference.

Of all the business that will come before the Conference none exceeds in importance that of the commercial relations of the different parts of the Empire, both to one another and to outside countries. It is desired by some to use the Conference to (1) urge the Imperial Government to adopt what may be called the penalty-preference policy as regards the commerce of the United Kingdom, and (2) to strengthen this policy as regards the self-governing colonies. Certain merchandise, or possibly all merchandise imported into the United Kingdom from any country not under the flag of Great Britain, is to be subjected to penalty, whilst merchandise from any part of the Empire is to be free of such penalty—or in other words it is to be preferentially treated.

### THE PENALTY-PREFERENCE POLICY AND THE UNITED KINGDOM.

It is an elementary fact—though too often forgotten—that a Customs duty is inoperative if the commodity on which it is levied is produced internally to an extent exceeding the consuming power of the protected area. Thus, wool is produced in Australia alone to twice the extent of the consumption of the whole British Empire. Therefore, it follows that the imposition by the United Kingdom of a duty on wool limited to that of foreign growth, would not benefit the

Australian article by the slightest fraction. Here is a list of commodities already produced within the Empire in excess of, or close up to, the entire consumption of the Empire: wool, tallow, hides, sheepskins, cheese, tin, tea, rice, jute, pepper, ginger, sago, indigo, palm oil, cocoanut oil, various seeds and nuts, woods like mahogany and teak, dye woods, various drugs, gutta percha, pearl shell, diamonds, &c. These commodities, together, constitute a considerable proportion of Colonial and Indian exports, all being beyond the possibility of benefit by the adoption of the penalty-preference policy by the United Kingdom; they could not benefit by penalties on competitive production. Gold has not been mentioned, but in addition to its functions as money, gold is in the Transvaal and Australia a production, merchandise, which must be shipped to give it value. Gold is far beyond the power of preference even were it contemplated. It is clear, further, that the higher prices which the United Kingdom would pay for the preferred commodities under this system would be absorbed by a limited number of Colonial and Indian industries, and without any regard to the proportionate industry or degree of prosperity of a colony. Thus, South Africa, at present probably the least prosperous part of the Empire, would receive practically nothing; whilst Canada, at present probably the most prosperous, would receive the lion's share. Out of an export by the Commonwealth in 1906 of 69 millions' worth of its own productions, not one-fourth could have been advantaged by the existence of a penalty-preference system in the United Kingdom.

With regard to the commodities on which penalties or duties in the United Kingdom on foreign production would be operative, these are mainly food products, and at present very large quantities are imported into the United Kingdom from outside the Empire. But bearing in mind the boundless acres available in the colonies, is it not quite certain that the Colonial production of these commodities will continue rapidly to increase? Canada even now looks forward to being able, at an early date, to supply by

herself enough wheat for the wants of the United Kingdom; she is already practically doing this in the matter of cheese. As regards mutton, Australia and New Zealand will probably soon supply more than enough. In this connection there is an important point to be remembered. Were it possible to obtain in the United Kingdom any advance on the world's prices for grain, this fact would concentrate the surplus supplies of all the colonies and of India into one stream flowing towards the United Kingdom. The increase in the aggregate Colonial supplies, together with this concentration of it all, would probably, much sooner than is at present expected by even the most sanguine, result in providing supplies beyond the consumption of the United Kingdom. When this point was reached, the duty would cease to operate; the world's prices would again dominate the market, and the field for preference be still further lessened. Might not thousands of Colonial producers then say that they had been misled? Even within the last five years there have been marked increases of the production of grain and other food products in the colonies, and the man does not seem to venture much who prophesies that ere many years have flown the British colonies will need more people than those of the United Kingdom to consume their surplus grain, &c., just as to-day they need more than that population to consume their wool and many other products. How is this demand on the United Kingdom for preference to be justified in view (1) of the fact that so many products are already produced to such an extent that preference is impossible, and (2) of the probability, almost the certainty, that most of the other commodities produced by the colonies and India will, in the course of a very few years, be similarly produced in excess of British consumption, and consequently also be beyond preferential possibility?

One singular effect of a penalty-preference policy in the United Kingdom—so far as it would be operative—needs carefully pointing out. By establishing in the United Kingdom a price beyond the world's price for the Colonial and Indian production of a given

commodity, the surplus production of each colony and of India would be attracted to the United Kingdom. Consequently none would be available in any exporting colony to supply a demand in any British colony, nor in any other country where there was a shortage. Thus, if a protected market were established in the United Kingdom for wheat, South Africa, which is at present an importer of this article, would have to choose between buying in other countries at the world's price, or in British colonies (her general source of supply) at the enhanced price. Of course she would take the cheaper supply to be found outside the Empire; a curious result of a policy intended to bind the different parts of the Empire together. It would also follow, as the shipments of the "preferred" products were concentrated on the United Kingdom, that Canada, Australia, New Zealand, India, might find their freight possibilities so cut down in various directions that some existing or projected lines of steamers would have to be withdrawn.

No one who urges the United Kingdom to adopt the penalty-preference policy can honestly shut his eyes to the resulting increase in the cost of living in the United Kingdom. So far as a duty became operative it would raise the cost of the whole quantity of the commodity consumed, whether produced in (1) the United Kingdom, (2) the colonies, or (3) other countries.

It does not seem to be generally known that so far as a penalty-preference duty became operative in the United Kingdom and added to the cost of living of the British people, it would have corresponding results in the colonies that shipped to the United Kingdom. Thus, a duty on wheat in the United Kingdom, though confined to that grown in foreign countries, would increase the price of bread not only to the consumers in the United Kingdom, but also to those in Canada, Australia, New Zealand, India, &c. This is obviously the case, for no colonial holder of wheat would sell for consumption in his own colony at a less price than he could obtain for it for consumption in the United Kingdom. It will be seen that even for the sake of the colonies themselves, the United Kingdom is

justified in repudiating the penalty-preference policy, and that childish attacks on other countries which, after all, are the best customers of the United Kingdom, have nothing statesmanlike to commend them.

## THE PENALTY-PREFERENCE POLICY IN THE COLONIES.

It is wise to note at once that there exists an absolutely fatal obstacle to the success of the penalty-preference policy in the colonies. These parts of the Empire sell very large quantities of their merchandise to foreign countries, and, as a matter of fact, are anxious to increase rather than lessen the quantities so sold. This merchandise is, of course, sold with the condition that it shall be paid for, but the last thing the colonies wish for is to be paid in gold; seeing that they win far more of the precious metal than they can use, and are therefore constant exporters of it. Goods are wanted in payment, and in goods the foreign countries pay. If any such goods are not taken by the colonies, the United Kingdom must take the identical or other goods to cover the cost of the British-made which the colonies "prefer." It follows (so long as the colonies export to foreign countries) that the excluding of foreign goods from the colonies merely means forcing them on the United Kingdom. There is no escape from this result; it is not often that an attempt to break down natural laws has a conclusion so ludicrous. Keeping goods out of the colonies does not necessarily mean keeping them out of the Empire, and so long as they do enter the Empire the point of entry is of little consequence to the foreign countries concerned.

But, apart from the point raised in the previous paragraph, do the results of the penalty-preference policy in the colonies indicate that the policy is good or the reverse? In the first place, there is no mistaking the fact that the agitation, including that in the United Kingdom, begun ostensibly and in sincerity with a view to improve British commerce, has tended to strengthen hostile tariffs, and these exist within as well as without the Empire. There is a great deal of hollowness in

much of the preference which has been proposed and in that which now exists. Look at some Australian illustrations :—

(1) A considerable business has been done in Australia in agricultural machinery, notably harvesters, imported from Canada and the United States, principally from the former. These harvesters were subject to an ad valorem duty equal to about £5 each. Last year the duty was made a specific one, and fixed at £12. At the same time the "South African Preference" Bill was carried. Under that Act harvesters from South Africa are to be admitted at three-fourths of the old rate. That is to say, a harvester imported to-day into Australia is liable to a duty of £12 if from Canada, but to only about £4 if from South Africa. The defence is that South Africa has none to ship, and that, therefore, it does not matter.

(2) The same Act grants very large concessions on spirits and wine imported into Australia from South Africa; the defence is that though these commodities are largely produced in South Africa, there is no risk of them being shipped to Australia as they do not suit the Australian taste.

(3) Last year two other Bills were introduced into the Australian Parliament, one covering a tariff arrangement with New Zealand, the other, called "British Preference," raising duties on certain goods when imported from foreign countries. The arrangement proposed between Australia and New Zealand included moderate duties on certain goods when imported into either one of these colonies from the other, with higher duties on the same goods when imported into either from any other part of the world. Candles will throw some light on the arrangement. The duty existing at the time was 1d. per lb. in both Australia and New Zealand, irrespective of country from which imported. It was proposed to retain this rate in each colony on candles imported into either from the other; whilst each colony would levy 2d. per lb. on candles produced in any other part of the world. In other words, the two colonies agreed to levy what was practically a prohibitive duty on candles and wipe out, in

the interest of local makers, an import trade, chiefly from within the Empire, which in 1905 amounted to £96,000. What a sensation would be produced throughout the Empire if the United Kingdom, in the interests of British producers, imposed a prohibitive duty on a commodity produced and shipped by the colonies. The Bill itself was dropped because the arrangement was disapproved of by New Zealand on some other points. The Prime Minister of Australia recognised the injury that would be done to British commerce by the action of this Bill, and the "British Preference" Bill was introduced to balance that injury. The Prime Minister said (*Hansard*, Sept. 12, 1906, page 4451): "Because the Mother country is affected to some extent in some of those cases" (in the New Zealand agreement) "we have submitted our proposals for preferential trade with her . . . . While in entering into reciprocal arrangements with New Zealand, we have altered some rates of duty in a manner which will affect imports from the Mother country, we have offered to the latter advantages which will more than compensate." It is all clear; the commerce of the Empire was to be injured in the supposed interest of Australia and New Zealand, then the commerce of foreign countries was to be injured in the supposed interest of the Empire to "compensate."

(4) This compensatory "preference" was, however, subject to the condition that the British goods "preferred" were imported in British ships. This was the introduction of a principle not existing in any part of the Empire and which, being antagonistic to British treaty engagements, compelled the Imperial Government to withhold the Royal Assent to the Bill.

(5) The compensatory "preference" was hedged round still further, the goods had to be (a) "British," (b) "imported direct," (c) "in British ships" (d) "manned exclusively by white seamen." This in the name of "preference"; though the majority of coloured sailors own allegiance to the Empire.

(6) It is to be noted that had the proposed arrangement between New Zealand and Australia been completed it would have reduced the preference now given

by New Zealand to the United Kingdom, and not only that, but

(7) it would have struck a blow at Canada—the birth-place of preference—for higher duties would have been levied on Canadian timber in both Australia and New Zealand.

(8) The preferential treaty between South Africa and Australia has been the means of introducing a new principle into British Empire commerce. Sugar imported into Australia from South Africa is to be admitted at a reduction of £2 per ton if produced by white labour, but only £1 per ton reduction if produced by “black” labour. It is difficult to over-estimate the gravity of this differentiation.

It will thus be seen that various complications and controversies have been introduced into British Empire commerce in connection with a policy which many people thought—perhaps still think—likely to knit together the different parts of the Empire, and to increase the commerce of the United Kingdom. It is to be noted that each colony that has touched the penalty-preference policy has varied its scheme from that of every other colony. Speaking generally, and with reference to what has already marked the course of this new policy, it seems clear that it naturally and inevitably tends to increase the international and inter-colonial controversies of the Imperial Government. The Commonwealth in 1905 (figures not yet available for 1906) imported merchandise from foreign countries to the extent of 12.8 millions, while she exported to them to the extent of 17.6 millions. This is inclusive of foreign goods that came via the United Kingdom, but is exclusive of a good many millions of Australian produce taken via or from the United Kingdom. The figures convey a lesson and a warning.

#### THE “EXCLUDE” PARTY.

The penalty-preference policy seems doomed to failure, since it is neither reasonable to expect people who cry “Exclude” to agree to admit; nor people who cry “Admit” to consent to exclude. The “Exclude” party will not admit goods because they are



British, nor will the "Admit" party exclude goods because they are foreign. The policy, therefore, lacks a basis on which alone it could stand. There is an element of the comic in the appearance of the Colonial "Exclude" party as champions of the trade they have vowed to stop; and there is the same element in those simple-minded folk in the Mother country who look to the "Exclude" party for the freer admission of British goods. In Australia for years the controversy on the tariff has been keen, and it is the barest truth to say that the "preference" cry has been grist to the mills of the "Exclude" party. "Preference" has been a sort of half-way house on the route to their head-quarters. Again and again it has been found, when a member of the "Admit" party became captivated by the charms of "preference," that, having travelled there, he was sure to continue his journey until he found himself among his former opponents, when his voice was soon heard swelling the volume of the cry "Exclude." If the supporters of "preference" in the United Kingdom could but know how they have strengthened the barriers that exclude British goods in Australia, and probably throughout the world, they would feel both sorry and ashamed.

### THE "INTERNATIONAL TRADE WAR" BOGEY.

It might be expected that Twentieth-century civilisation would be too much for bogies; but it is not so. Perhaps the pressure of life destroys, or is allowed to destroy, that calm reflection before which bogies melt away. There is a bogey around to-day, scaring quiet, honest people, and being made much use of by those clever persons who know how to coin money out of the fears of others. This new bogey is that of "International Trade Wars": the Great Powers of the world are to engage in a Titanic conflict for the world's commerce. One of the Great Powers is to emerge successful: the others are to disappear, in a commercial sense, at any rate. This bogey is probably responsible for some of the agitation at the back of "preference," the agitators thinking to unite the scat-

tered forces of the British Empire, with a view to meeting the impending onslaught. Prosperity and expansion have been rampant of late years, and the greater the prosperity and expansion the greater has been the alarm.

A fair distribution of the wealth of a nation amongst its individual members is thought to be good, but a fair distribution of the wealth of the world amongst the nations is another thing. Why should it be? Nation after nation has been prospering and expanding; consequently people—some people—think something is wrong, and foresee the deluge.

There is instruction in a "big map"; there is light in the big sun, and in broad, far-reaching comparisons of the past and the present there are instruction and light, that will solve many a difficulty, explain much that causes wonder. Commerce—meaning by that word the trade that crosses political boundaries—has increased and is increasing by leaps and bounds: Commerce rests on population—mouths to fill; backs to cover. The growth of the population of Europe during the past century is like a fairy-tale. When the year 1801 of the Christian era arrived, after the world had existed for some thousands of years, the population of Europe, including that of the United Kingdom, reached a total of 175 millions. Another one single century has passed, and that population has become 400 millions, without counting the overflow into other quarters of the world, which, with its increase, reaches another 100 millions. Herein lies the secret, if it be a secret, of the marvellous growth of commerce: not by any means the whole cause, but still the central one. For a large portion of the century the food wants of the increasing population were mainly met by increasing the European production, but gradually and at an ever-accelerating pace population in Europe out-distanced European production. Just as this progressed the necessity of bringing food into Europe from other parts of the world also progressed.

The United Kingdom was the first country in Europe to find its food requirements outstripping its production; for a long time the extra supplies were

always available on the Continent of Europe. Then the time came when the United Kingdom had to look further afield, and in that search for supplies the commerce of the country multiplied exceedingly. Gradually certain countries on the Continent of Europe ceased to have surplus grain that they could sell to the United Kingdom, and gradually they themselves had to look abroad to make up deficient supplies of food, and so, too, their commerce expanded. Up to quite recently, as regards the Continent of Europe and its food supply, an increase of population simply meant an increase of internal production; to-day it means more buying abroad—more commerce. When note is taken of the vast quantities of food the United Kingdom is forced to import, it is easy to foresee to what gigantic proportions the imports of countries on the Continent of Europe must grow as millions after millions are added to their populations.

This necessity on the part of Europe to import largely entails the necessity of exporting largely in payment. Exporting—what? Evidently, to a considerable extent, the goods must be similar to those exported by the United Kingdom. Here it is that the outcry about competition comes in. Twenty countries may export wheat without controversy arising as to the supremacy of any one of them, or as to one wiping out the others. But now we have this bogey about International trade wars in consequence of a growth of exports of manufactured goods to pay for food, raw material, &c. The position that has grown up is perfectly sound and natural, though the man of narrow vision and timid spirit may not be able to grasp it. Every one knows that when the demand on the manufacturing resources of even the best-equipped nation rises only moderately above the ordinary, that the execution of orders has often to be delayed for many months, and that large orders have, indeed, often to be positively refused altogether. This will show how idle is the talk about any one country absorbing the manufacturing trade of the world, apart altogether from the necessity which a country that imports food and other goods is under of sending out goods in pay-

ment. Years ago Germany bought manufactured goods with grain; to-day she buys grain with manufactured goods. Increase of population and the developments accompanying that increase make this reversal perfectly natural, and convict of foolishness those who find cause of offence in Germany's exports. No, the bogey is not worth notice. The gentlemen who attend the Colonial Conference need spend no time in tilting at this windmill. But they may gain much wisdom which will be of service to their respective colonies if they learn thoroughly the facts about population—the millions of mouths that have to be filled; the millions of backs that have to be covered.

### THE "EXCLUDE" POLICY IN THE COLONIES: THE RESULTS.

Perhaps, too, whilst these gentlemen are all together, they might compare notes, and ask themselves whether those of their colonies that have adopted the "Exclude" policy are any better off in consequence, or whether, as a matter of cold fact, they are not distinctly the poorer? The able Prime Minister of Australia can tell the Conference that the very first paragraph in the speech which he put into the mouth of the Governor-General, when His Excellency opened the Commonwealth Parliament last month, contained congratulations on "a period of unprecedented prosperity throughout the continent," and the assertion that:—"Bountiful harvests, accompanied by an expansion of the pastoral, dairying, and mining industries, promise a continuance of the present flourishing condition of Australia." Nothing about the favoured manufacturing industries. It seems as if this prosperity might have been greater still if the capital and labour which by tariff alterations have been drawn into manufacturing industries had been left to take their part in the great natural industries, which, admittedly, are enjoying "unprecedented prosperity." What is true of Australia is equally true of Canada and of New Zealand. It is not unreasonable to think that the Colonies might to-day be earning millions more than

they are had they left industry free, and that they would be better customers of the United Kingdom than they are. If the Prime Ministers will think, on the one hand, of the hundreds of millions of acres of land which in their Colonies await development, and, on the other hand, of the hundreds of millions of mouths that have to be filled, and backs that have to be covered in Europe alone, they may all feel, as doubtless some of them already do, that everything should have been done to hasten, and nothing to delay, the development of those acres whose produce is awaited by multitudes so great. To cater for the supply of these multitudes is clearly more profitable than, by an "Exclude" policy, to enter into competition with them.

The growth of population is truly the dominating factor in the growth of the world's commerce to-day; and the growth of commerce, which, spite of tariffs, is very great, seems to indicate that, after all, a hostile tariff is, in the main, but a rod for the backs of the very people who impose it. It, also, seems clear, spite of boast about countries being "self-contained" and independent one of another, that every year the principal countries of the world are becoming more and more dependent on one another. Germany, notwithstanding her fighting tariff, looks abroad every year for more and more food. On one point it may be hoped the Prime Ministers will be frank: that is as to whether small duties, after, perhaps, the first moment, ever satisfy those who wish, by duties, to alter or direct the course of any trade. The Colonial "Exclude" party would laugh to scorn the idea of being content with duties such as those suggested by English preferentialists.

## INDIA.

The members of the Colonial Conference are undoubtedly anxious to promote not only the welfare of their separate Colonies, but the welfare of the British Empire as a great world power, and evidently just in proportion to their anxiety to promote the latter object

must be the necessity of remembering that four-fifths of the people of the Empire are not directly represented at the Conference. If it could be shown that the Penalty-Preference policy would benefit the United Kingdom and also the Colonies, the policy would still stand condemned if it were clear that it would be to the disadvantage of the vast population of India. That it would be disadvantageous there seems to be but little doubt, because of the very large extent to which India has to rely on foreign countries for the purchase of its exports: *Has to rely* simply because the United Kingdom cannot consume them all.

To fail to give a just and generous consideration to the interests of India in this matter would be to show that the United Kingdom was not worthy of her great position in regard to India: how great that position is words will not adequately describe.

#### THE COLOURED RACES.

A tariff penalty aimed at all the world alike will cause annoyance, but a tariff penalty that specially differentiates against a race on, say, the matter of colour, cuts deeper. In addition to its pecuniary influence, it has a political influence of great potency. It is hard to think of any Colony legislating in such a direction, when it is so clearly out of line with the policy and instincts of the British people.

The future of the world-wide British Empire rests more on justice and generosity than on warships and bayonets, and it is not conceivable that the Conference will fail in doing its part to promote just and generous legislation.

Sydney, March 19th, 1907.

# THE FRUITS OF AMERICAN PROTECTION

The Effects of the Dingley Tariff upon the  
Industries of the Country, and especially  
upon the well-being of the People

BY

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*This paper was published on October 1, 1906, by the New York Reform Club Committee on Tariff Reform. It was written for circulation in America ; and its arguments are based upon facts relating to American commercial and industrial life. It is one of the strongest indictments that has yet appeared against the adoption of a system of Protection ; and the Committee of the Cobden Club have to thank Mr. Hobson for permission to publish it in England.*

*March 1, 1907.*



## THE FRUITS OF AMERICAN PROTECTION.

The present Dingley Tariff of 1897 is the ripest fruit of seeds sown in the Civil War. Though various experiments in Protection were tried during the first six decades of the Nineteenth Century, the later tendency was towards Free Trade. "There is no doubt," writes the most authoritative exponent of tariff history, himself a Protectionist, (\*) "that when the treaty of 1854 was accepted, Protectionism in the United States was almost extinct, as a political force, and there was a well-nigh universal expectation that the arrangement for reciprocal trade with Canada was to be the first step towards Free Trade—that the tariff barrier along the Northern line of the country was to be broken down."

The financial condition brought about by the Civil War changed all this, and gave the Protectionist interests in the United States the opportunity they required for compassing their private ends.

Under the screen of high public expenditure, rendered necessary by the war, the iron and woollen

\* Am. Tariff Controversies in the Nineteenth Century by E. Stanwood, Vol. II., page 136.

manufacturers forced up the duties on competing imports, and as the demands of the war grew so did the general tariff. After the war was over, the necessity of meeting the interest upon war debts, and of reducing the capital of those debts, led to the maintenance of the war-tariff. What reduction of taxation was possible took shape in relief of internal taxes. The long maintenance of the high war-tariff thus secured naturally fostered the rise of a number of new industries, which it was argued would collapse if Protection were withdrawn. Still more valuable support to the Protective policy was afforded by the argument drawn from national prosperity. The general adoption of improved methods of manufacture, the rapid development of railroads; the great growth of natural wealth due to the application of the new mechanical methods to manufacture and transport, were naturally claimed by the Republicans as the fruit of Protection, and indisputably helped to maintain and further that policy.

#### 1. REVENUE DUTIES DISPLACED BY PROTECTIVE DUTIES.

The early tariff schedules based on war needs were not only high but indiscriminating, taxing non-competing as well as competing goods. From 1861 to 1872 only about 12 per cent. of the value of imports came in free of duty. When relief was obtained from the financial strain of the war, and revenues became redundant, approaches began to be made towards a more "scientific" tariff, letting in larger and larger numbers of non-competing articles, and in general lowering duties upon raw materials of manufacture. After 1872 about 25 per cent. of

imports were duty free, and this percentage after the revision of 1875 rose to 33 per cent. At the same time the revenue basis of import duties began to be consciously displaced by the protective basis. This transition is most clearly marked in the Tariff Act of 1870, when a duty of 45 per cent. or approximately \$25 a ton was placed on imported steel rails, for the avowed object of developing a home industry.

## 2. PROTECTIONISTS TAKE ADVANTAGE OF FINANCIAL STRESS.

A reduction in raw materials and an enlarged free list of non-competing articles, chiefly food stuffs, was the distinctive feature of the revision of 1870.

The struggle between financial and commercial combinations, the former leaning towards tariff reduction, when the Treasury surplus became large, the latter seeking readjustment without net abatement, took this turn in 1875. Hard times had been accompanied by a financial scare, and the Republicans became solicitous for the preservation of the sinking fund and the diminution of the public debt. Under this temporary renewal of financial embarrassment, the Protectionist interests succeeded in getting back certain concessions they had been forced to make in 1870, by means of "an Act to further protect the sinking fund, and to provide for the exigencies of Government." In this Act the position of the sugar interest was finally entrenched by an increase of 25 per cent., and the 10 per cent. reduction on manufactured goods given in 1872 was withdrawn.

The Tariff of 1883 effected no radical change, though it somewhat increased the relative strength

of the final manufacturers at the expense of the agriculturists and the earlier processes of manufacture, by means of some further reductions on raw materials and semi-manufactured goods.

The next few years were filled with tariff controversy, and the return of the Democrats to power in 1885 by the election in 1884 of Mr. Cleveland to the Presidency, gave hopes to "Free-Traders." But Mr. Cleveland could not carry his low-tariff bill through Congress, and in 1889 Mr. Harrison became President, though with a small popular majority against him. The McKinley Act followed. It contained three new and distinctive features which enabled it to figure, in the language of its admirers, as "the most thoroughly scientific measure of Protection ever passed up to that time." It was the first Act containing a complete schedule of duties upon agricultural products, which it was argued meant Protection for the American farmer.

Secondly, in placing raw sugar on the free list it introduced a system of bounties for home producers of sugar, a novel expedient of doubtful constitutionality.

Thirdly, it introduced a provision for reciprocity treaties with foreign nations for the purpose of securing an enlarged foreign market for American produce.

### 3. DECREASED REVENUE UNDER MCKINLEY TARIFF.

While the McKinley Act added certain articles, notably raw sugar, to the free list, it kept the average *ad valorem* rates as high as ever, despite the fact that the manufacturers of America, especially

in the iron, steel, and machinery trades, were far better equipped for equal competition with European makers than had been the case when the system of high duties was introduced. Besides maintaining high protection for developed industries, a further policy of developing new industries was added, the most notable beneficiary being the new tinplate manufacture.

The McKinley Act, entitled "An Act to reduce the revenue, to equalise duties on imports, and for other purposes," fulfilled the first intention more fully than was desired, as is indicated by the following statement of net receipts, expenditure, and surplus or deficit in the finances of the Federal Government. From 1886 to 1890 each year showed a surplus of over \$100,000,000, 1889-90, the last ante-McKinley year, producing \$105,344,496 as surplus. The five years in which the McKinley Tariff was operative converted this large surplus into a large and growing deficit.

Year.	Net. Receipt.	Ordinary Expenditure.	Surplus.	Deficit.
1890-91 ...	\$392,612,447	\$355,372,685	\$37,239,762	————
1891-92 ...	354,937,784	345,023,331	9,914,453	————
1892-93 ...	385,819,629	383,477,056	2,541,573	————
1893-94 ...	297,722,019	367,525,280	————	\$69,803,261

While the value of imports increased steadily up to 1893, the customs' receipts showed a slight fall, chiefly owing to the abandonment of the sugar duty. The larger decline in 1893-4 was doubtless due in part to the expectation of new Democratic legislation in the shape of lower duties.

But the failure of the McKinley Tariff to maintain an adequate revenue during the latter part of its

operation, must also be imputed to the grave general disturbance of industrial conditions generated by apprehensions of a revolution in the currency.

#### 4. THE WILSON BILL.

The Wilson Bill, introduced in order at once to restore a sufficiency of revenue, and to realise the Democratic policy of freer trade, embodied as its main ideas "free raw materials" and a large reduction of duties on manufactured goods. Hides and raw sugar, already on the free list, were retained, and to them were added wool, coal, iron ore, lumber, cotton-ties, binding-twine, and fresh fish. But when the measure emerged from the struggle in the Senate and the pressure of certain special trade interests in the House, it was shorn of much of its "Free trade," and was allowed to pass into law with sugar, coal, iron ore, and barbed wire, not to name less important materials, still subject to import duties.

The disappointment of the Tariff-reformers\* is best expressed in the attitude of President Cleveland, who, refusing his official approval of the Bill, allowed it to pass into law by ordinary process of lapse of time. Though this failure (for such it must be deemed) at effective "tariff reform" was chiefly attributable to the able organisation and harassing tactics of the Republican vested interests, this party opposition could not have been so successful had it not been for the open or secret assistance of business-politicians in the Democratic party, bent upon special reservations in tariff-reform, adapted to maintain the privileges possessed by themselves and their friends.

\* *i.e.* Free-traders or low-tariff men, according to American nomenclature.



At the same time the reforms effected by the Wilson Bill were of great value to the country, and would in all probability have become its permanent policy, as did the reductions effected by the tariff of 1846, had it not been for two causes:

1. The financial panic of 1893, which brought about a general depression in the business of the country; and

2. The decision of the Supreme Court that the Income Tax embodied in the Wilson Bill was unconstitutional. This decision deprived the country of revenue which was essential and which the framers of the Bill had calculated upon. The decision could not reasonably have been expected. It was a reversal of the decision of the Court that the Civil War Income-Tax was constitutional. The Republican majority in the House of Representatives, when this decision was announced, refused to make any provision to meet the deficit thus occasioned. The result was a deficiency in the revenue which is often attributed to the Wilson Bill, but which, really, had a very different cause.

#### 5. THE DINGLEY TARIFF.

The return of the Republicans to power in 1896 was followed by a renewal of Protectionist pressure, and the Dingley Tariff Act of 1897 is the high-water mark of tariff achievement. It emerged a far stronger measure of Protection than its original draft indicated.

Mr. Dingley, in summarising the provisions of the Bill he introduced, estimated that in general the duties it imposed, though higher than those of the Wilson Act, were lower than those of the McKinley Act.

During the consideration of the Bill no opportunity for general criticism was afforded, the time allotted for amendment was consumed in discussion of the first schedule, and the Democrats were disabled from moving the reduction or removal of the tariffs on wool, sugar, and other debated articles. The original form of the Bill restored wool, lumber, and most other important free raw materials, with the exception of hides, to the dutiable lists, increased the duties on luxuries, like liquors, tobacco, silk, and laces, raised the duties on flax and linen beyond the 1890 rate, restored the schedules on earthenware, glass, and agriculture to about the 1890 rates, leaving iron, tin, cotton, and many other duties somewhat lower than the McKinley rate. When the Bill emerged in its final shape, hides were restored to the dutiable list, and a general lift was given to the rates, especially on manufactured goods. These amendments, made mostly in progress through the Senate, where the organised manufacturing interests have their stronghold, were generally accepted by the House, and the Bill, as it was actually passed, represented a higher scale of Protection than either of the original Bills in the House or the Senate.

Protectionists justly contend that the high tariff of 1897 has not ruined the foreign trade of the United States, which, both on its import and its export side, has exhibited a great advance. But when they go further and insist that the general effect of the Dingley Act is to increase and to diffuse wealth and thus to create conditions which lead to larger importations, they ignore not only the necessary operations of economic laws, but certain important facts relating to the diffusion of wealth. It is obvious that there are many other important

factors determining the creation of wealth and the expansion of foreign trade besides tariff policy ; in particular the development of large new areas of rich natural resources in the West and South, the application of improved machinery and new sorts of power to great backward industries, the rapid advance of railroads and other modes of transport over the country, the great accessions of industrial population, especially in the Middle-West, the strain imposed upon all industrial factors by the reconstruction of great cities on a basis of steel and electrical apparatus—Such are a few of the most evident sources of the great productivity of recent years, a productivity which, tariff or no tariff, would exercise a strong impulsion towards increase of foreign trade. Free Traders, or low-tariff men, contend that, under a tariff-for-revenue policy, both the increase of natural productivity and of foreign commerce would have been greater than they have been. It is as impossible to gainsay this contention as it is to prove the opposite by a mere appeal to facts.

#### 6. STATISTICS AS A COURT OF APPEAL.

But while statistical evidence of volume and value of foreign trade is, under such circumstances, incompetent to prove the industrial or commercial advantages of high tariff, statistics are not useless as a Court of Appeal in the cause of Free Trade against Protection, as bearing upon the diffusion of wealth in a country.

Free Traders contend that in theory a Protective Tariff tends to injure the economic conditions of the industrial population of a protected country ; that in particular it reduces the proportion of the national product passing to labour and wages, and that it

enables a small number of controllers of protected industries to raise prices and so to tax other industries, and the entire body of the consuming public, in order to maintain high profits in their business. This theory they hold to be endorsed by practice as attested by a great and growing consensus of statistical and other facts.

### 7. EFFECTS OF HIGH TARIFFS ON WORKING CLASSES.

The wealth of the United States has been advancing with great rapidity during recent years. Protectionists allege that high tariffs have assisted this advance, and that the working classes have received their full share of this tariff-bred prosperity in enhanced wages.

What are the facts? Though nothing approaching a valid statistical measurement of the increase of wealth for the Nation as a whole and of the aggregate earnings of the workers is attainable, the Abstract of the 1900 Census presents a table (Table 156) relating to fifteen groups of industries, which, though not pretending to great exactitude, may be regarded as the best evidence upon the production and distribution of wealth in the great manufacturing industries, chiefly affected by Protection, and employing five million and a quarter wage-earners.

The following comparative figures show (1) the increase in capital value; (2) the increase in value of products; (3) the increase in the number of wage-earners; and (4) the increase of total wages between 1890 and 1900:

	Capital Value.	Value of Products.	Cost of Materials.	No. of Wage Earners.	Total Wages.
1900	...\$9,813,834,390	\$13,000,149,159	\$7,343,627,875	5,306,143	\$2,320,938,168
1890	... 6,525,050,759	9,372,378,843	5,162,013,878	4,251,535	1,891,953,795
Increase	3,288,783,631	3,627,770,316	2,181,613,997	1,054,608	428,984,373

This table supports two propositions :

1. The proportion of the annual product paid to the wage-earners as a body is smaller in 1900 than in 1890. The growth of capital value, closely correspondent with that of value of products, is also considerably greater than the growth of total wages.

2. The average wage for all classes of wage-earners is slightly less in 1900 than in 1890. For whereas the increase of wage-earners is 25 per cent., that of wages is only a little over 22 per cent.\* Examination of the growth of values in the several groups shows that only in one case, that of textiles, does total wages show a greater increase than the value of the product, while the increase in number of employees shows a less increase. In the textile trades alone is there a *primâ facie* case in favour of the wage-earners having taken an increased proportion of the value of the product in wages.

\* It may be interesting to compare with this the conclusions to which Prof. Shield Nicholson comes from his study of a table given in p. 127 of the first Fiscal Blue Book (Cd. 1761, 1903). In pages 16 and 17 of his work on the Tariff question he says: "Taking the years 1886-1900 as the basis of comparison—and I take this year 1886 simply because the figures for Germany do not go further back—and comparing the rise of wages in the *United Kingdom* (1886-1900) with the rise in Germany, the United States, France, and Italy, we find, in the first place, that the rise has been greatest of all in the *United Kingdom*. And it is still more remarkable to find that in the United States wages rose more rapidly in the period from 1880 to 1890, in which there had been a slight *reduction* of tariffs, than they did in the period from 1890 to 1900, in which there had been the great increase of tariffs (McKinley, Dingley). And, most curious of all, the rise of wages in the *United Kingdom* was most rapid after the United States had increased its tariffs. Such is the result of the direct and simple appeal to statistics collected for this famous inquiry into the result of tariffs. America raises its tariffs and it is wages in the United Kingdom that rise most in response."—*Sec., Cobden Club*

The following is the table for 1900 and 1890:

Group No.	INDUSTRY GROUP.	Year.	Number of Establishments.	Capital.	WAGE-EARNERS.		Cost of Materials used.	Value of Products, including Custom Work and Re-pairing.
					Average Number.	Total Wages.		
	Total .....	1900 1890	512,191 355,405	\$9,813,834,390 6,525,050,759	5,306,143 4,251,535	\$2,320,938,168 1,801,239,696	\$7,343,627,875 5,162,013,878	\$13,000,149,159 9,372,378,843
1	Food and kindred products.	1900 1890	61,302 41,296	937,686,610 507,678,328	311,717 249,321	128,667,428 90,373,450	1,839,256,143 1,318,963,830	2,273,880,874 1,636,197,191
2	Textiles .....	1900 1890	30,048 16,847	1,366,604,958 1,008,050,268	1,020,910 824,138	341,734,399 278,167,769	895,984,796 705,004,909	1,637,484,484 1,261,672,504
3	Iron and Steel and their products.	1900 1890	13,896 11,169	1,528,979,076 997,872,438	733,968 531,823	381,875,499 285,351,714	987,198,370 617,554,226	1,793,490,908 1,144,056,537
4	Lumber and its re-manufactures.	1900 1890	47,079 5,576	945,934,565 844,312,745	546,872 547,698	212,124,780 201,540,081	561,501,302 462,658,350	1,030,695,350 877,896,480
5	Leather and its finished products.	1900 1890	16,989 12,918	343,600,513 246,795,713	238,202 212,727	99,759,885 98,432,593	395,551,232 294,446,011	583,731,046 487,556,030
6	Paper and Printing.	1900 1890	26,747 20,160	557,610,887 344,003,723	297,551 225,645	140,092,453 117,611,864	214,158,423 149,597,579	606,317,768 445,587,430

7	Liquors and beverages.	1900 1890	7,861 4,219	534,101,049 310,002,635	63,072 48,358	36,946,557 29,140,916	122,218,073 109,830,410	425,504,167 361,155,361
8	Chemicals and allied product.	1900 1890	5,444 5,642	498,282,219 322,543,674	101,489 76,535	43,850,282 33,872,540	356,192,334 239,915,794	552,797,877 380,056,497
9	Clay, glass and stone products.	1900 1890	14,809 11,711	350,902,367 217,386,297	244,987 221,367	109,022,582 90,541,771	94,615,281 68,990,146	293,564,235 229,806,003
10	Metals and metal products, other than iron & steel.	1900 1890	16,305 10,019	410,646,057 204,285,820	190,757 123,239	96,749,051 64,055,644	496,979,368 179,169,940	748,785,464 316,908,150
11	Tobacco .....	1900 1890	15,252 11,643	124,089,871 96,094,753	142,277 122,775	49,852,484 44,550,735	107,182,656 92,304,317	283,076,546 211,746,623
12	Vehicles for land transportation.	1900 1890	10,113 10,175	396,671,441 248,224,770	316,157 221,125	164,559,022 118,212,379	268,278,205 174,624,639	508,524,510 344,476,243
13	Shipbuilding .....	1900 1890	1,116 1,010	77,362,701 53,393,074	46,781 24,811	24,839,163 14,833,977	33,486,772 16,925,109	74,578,158 40,342,115
14	Miscellaneous industries.	1900 1890	29,479 19,304	1,348,920,721 768,870,920	483,273 302,649	202,746,162 136,643,444	490,073,705 300,231,851	1,004,092,294 645,574,453
15	Hand trades .....	1900 1890	215,814 143,716	392,442,255 355,535,601	559,130 519,324	288,118,421 287,880,819	482,736,991 431,826,965	1,183,615,478 1,009,347,226

Another table in the Census Abstract presents the statistics of these industries according to the division of the country in which they are located. Extracting the North Atlantic division, which contains the largest proportion of the developed and highly-protected manufactures, we find the same general effect even more strongly marked.

	Capital Value.	Value of Product.	No. of Wage Earners.	Total Wages.
1900 ...	\$5,299,725,075	\$6,448,058,774	2,772,117	\$1,271,524,958
1890 ...	3,548,288,553	4,896,743,650	2,317,736	1,075,566,284

Here total wages present an insignificant increase compared with the rise in the value of the product, and when the number of employees is taken into account, a considerable fall in wages per head is indicated.

So far then, this general statistical index of the share of the workers in the growing wealth of the United States, does not support the view that the McKinley Act of 1890 and the Dingley Act of 1897 have favoured the advancement of the interests of the wage-earners who form the bulk of the population.

But, further, in order to know whether these high tariffs have improved or damaged the economic standard of the workers, we must consider changes of money wages in relation to changes of price in the commodities in which they are expended.

## 8. WAGES AND PRICES.

It is not true that the American workers are advancing in their wages *pari passu* with the increase of national wealth. Nor is it true that this high tariff is assisting them to maintain high wages and



full regular employment. The most reliable official evidence of wages, prices, and employment, tends to prove that the earnings of the workers are a diminishing share of the aggregate income of the nation, and that the Dingley tariff has served to reduce real wages for the great majority of the wage-earning classes.

The Washington Bureau of Labour presented in its Bulletin for July, 1905, a comparative table of earnings and retail prices during the period 1890-1905, which affords striking proof of the effect of the Dingley Tariff of 1896. The method upon which this table is constructed is the following: Actual wages and actual prices are found for each of the years from 1890 to 1899, and the average of wages and prices for these ten years is then put down as 100. The yearly figures given in the table represent variations from this average, the first column stating weekly earnings per employee, the second retail prices, in which all ordinary articles of food are taken into account in proportion as they figure in actual working-class consumption. The third column, which takes into account both money wages and prices, furnishes, of course, the true criterion, for it expresses the actual purchasing power of a week's wages at the different periods.

				Weekly Earnings per Employee.	Retail Prices.	Weekly Earnings as measured by Retail Prices.
1890	...	...	...	101.0	102.4	98.6
1891	...	...	...	100.8	103.8	97.1
1892	...	...	...	101.3	101.9	99.4
1893	...	...	...	101.2	104.4	96.9
1894	...	...	...	97.7	99.7	98.0
1895	...	...	...	98.4	97.8	100.6

				Weekly Earnings per Employees.	Retail Prices.	Weekly Earnings as measured by Retail Prices.
1896	...	...	...	99.5	95.5	104.2
1897	...	...	...	99.2	96.3	103.0
1898	...	...	...	99.9	98.7	101.2
1899	...	...	...	101.2	99.5	101.7
1900	...	...	...	104.1	101.1	103.0
1901	...	...	...	105.9	105.2	100.7
1902	...	...	...	109.2	110.9	98.5
1903	...	...	...	112.3	110.3	101.8
1904	...	...	...	112.2	111.7	100.4

This table furnishes striking testimony against the claim of the Protectionist that a high tariff befriends the workers. For here we have three periods illustrated, two of Republican high tariff, one of a relatively low Democratic tariff. Taking the first test of real wages as represented in weekly earnings measured in terms of retail price, we see that a slight fall took place during the operation of the McKinley Act 1891-4, but a distinct recovery ensued under the Wilson Act 1895-7, and that the Dingley Act has been followed by a considerable fall in the real value of the wages of the working classes, the rise of money wages being so far outstripped by the rise of retail prices that the workers have been subjected to a serious loss.

The coincidence of these changes in wages and prices before and after the critical year 1897, when the high tariff began to operate, is so striking that we cannot fail to conclude that this tariff was the chief cause of the actual changes which took place. Thus the Dingley tariff, so far from improving the conditions of the workers, as claimed, has resulted in a lowering of real wages for labour, so that the work-

ing classes are taking a much smaller share of the national wealth of the United States than they were in 1896. But these general figures by no means afford a full measure of the damage done by the high tariff to the standard of living of the workers in the States where tariff influences on wages and prices operate most effectively. The modern American tariff is created by and for the great manufacturing interests; by endowing them with an absolute monopoly of the home market it has enabled them to form powerful trusts and combinations which, on the one hand, control prices, on the other, control wages. It might at first sight be presumed, and is commonly alleged by American Protectionists, that the employees in those great manufactures which have secured high protection take their share of the gains in higher wages. Now the census bulletins on manufactures covering thirty-three States utterly dispel this notion, showing as they do that, whereas in 1890 the manufacturing wage-earners in these States received an average wage of \$418.48 per year, or \$1.39 per day, that wage in 1900 had fallen to \$397.53 per year, or \$1.29 per day.

#### 9. ILLICIT GAINS.

Here, then, is a decline in actual money wage amounting to 7 per cent. For every dollar the 1890 wage-earner got, the 1900 wage-earner got only 92.4 cents. The comparison of 1890 and 1900 is not unfair, since both were considered years of prosperity.

But, as we have already seen, prices have risen, while wages have fallen from 1890 to 1900 for these employees. Between those two dates the cost of

living had increased 6 per cent., the workers in the protected industries having to face higher prices with a lower money wage.

In order to understand where the illicit gains of Protection really go, we can extract from these same official sources one more relevant piece of information. The census statistics of manufactures show that the average value of a wage-earner's product in the thirty-three reporting States increased from \$1,938 in 1890 to \$2,148 in 1900.

We are thus enabled to conclude that in these tariff-favoured industries, while the value of an average wage-earner's product had increased 10 per cent. his money wage had fallen 7 per cent., and his cost of living, as presented in prices of necessaries, had risen 6 per cent. And this as the result only of the opening years of high tariff. For the general figures we have quoted show that if the comparison could be carried five years later the damage to the workers would be even heavier.

#### 10. THE BURDEN ON THE WORKING MAN.

Statistics given by the Washington Bureau of Labour indicate that since the introduction of the Dingley Tariff, prices have risen more than wages, and so the workers are worse off than before. But the official figures of prices fail to represent the full measure of this damage, chiefly because they are confined to food which, though an important factor, covers less than half of the working-class expenditure.

Protection, as we have seen, is, in the main, a bonus to manufacturers and not to farmers, and the influence of high tariff is naturally less operative

upon food prices than upon the prices of manufactured articles. Though the rise in food prices has been considerable, that of manufactures has been greater, and that of rent (which combines extravagant ground values with the increased cost of the manufactured elements in housing) greatest of all.

Here the best official evidence comes from the Labour Bureau of Massachusetts, in a table dealing with the four chief constituents of working-class consumption :

Consumption.	Percentage of Increase in price in 1902, as compared with 1897.				
Food ... ..	...	...	...	...	11.16
Dry Goods and Boots ... ..	...	...	...	...	16.07
Rent ... ..	...	...	..	...	52.43
Fuel ... ..	...	...	..	...	9.78

The statistics of retail price-changes, which we have quoted from official sources, are sometimes called in question ; local and temporal variations of retail sales are so large and capricious, it is said, that it is unsafe to base any close reasoning on them.

We will therefore justify our argument by further reference to the best accepted statistical authority upon wholesale prices as related to actual expenditure in the United States, viz. : Dun's Index Numbers. Dun takes the wholesale prices of breadstuffs, meats, dairy and garden produce, other foods, clothing, metals and miscellaneous manufactures, assigns each group its due proportionate importance as indicated by *per capita* consumption, and expresses the general result in the *per capita* cost of the 350 articles quoted.

The following are the Index Numbers on January 1 of each year during the period 1890-1905

(with quinquennial Numbers for the period 1870-1890):

1870 ...	\$165.473	1890 ...	\$90.191	
1875 ...	137.578		—————	McKinley
1880 ...	122.679	1891 ...	98.247	Tariff Act.
1885 ...	96.465	1892 ...	89.822	
		1893 ...	94.155	
		1894 ...	86.022	
			—————	Wilson Tariff
		1895 ...	80.992	Act.
		1896 ...	77.780	
		1897 ...	75.502	
			—————	Dingley
		1898 ...	79.940	Tariff Act.
		1899 ...	80.423	
		1900 ...	95.295	
		1901 ...	95.668	
		1902 ...	101.587	
		1903 ...	100.356	
		1904 ...	100.142	
		1905 ...	100.318	

Here the same phenomena of change are brought out as in the former statistics of food prices, but still more strikingly. The figures at quinquennial periods from 1870 to 1890, and for each year thereafter, serve to show how persistent was the tendency to lower prices down to 1897. This tendency was sharply and strongly reversed under the Dingley Tariff. The increase of cost of living indicated here amounts to a much higher figure than that adopted by the Bureau of Labour, showing a rise of prices in the necessaries of life, amounting to nearly 35 per cent. between 1897 and 1905. If these more reliable and more scientific figures were substituted for the more questionable figures in the official table, a still greater decline on the real wages, or spending power, of the

American worker would be seen to have occurred during the last eight years of high protection. Even Dun's figures fail, however, to take account of rent, the rise of which is larger than the rise of prices.

Further analysis of the retail prices of specific articles, as set forth in the Bureau of Labour Bulletins, shows that the greatest rises of food prices since 1897 have been mostly in articles of prime necessity, which form a relatively larger proportion of the consumption of the poorer grades of workers.

The following table shows the percentage of increase of prices in 1904 as compared with 1895:

Beef, fresh roasts and stews ... ..	13.8
„ „ Steaks ... ..	14.0
Butter ... ..	17.0
Corn Meal ... ..	27.9
Eggs ... ..	41.1
Wheat, flour ... ..	29.3
Mutton ... ..	15.6
Pork, Fresh ... ..	27.3
„ Salt, Bacon ... ..	42.6
„ „ Dry or Pickled ... ..	31.7
„ „ Ham ... ..	21.3
Potatoes ... ..	57.5

The full significance of the high and rising cost of food, clothing, and other necessities of life, is brought home by a closer study of the distribution of wages among the various classes of workers. Protectionists always illustrate the benefits of Protection to workers, by drawing their instances from a small number of the most skilled and efficient workers in the highly developed mechanical industries.

The iron and steel are the favoured industries. In these is found a minute percentage of rollers earning \$65 per week, puddlers earning \$47, machinists

\$29, while a larger number of engineers make \$25. It may, perhaps, be reasonably held that these men are gainers from the Tariff, representing as they do the picked aristocracy of labour in the industry which enjoys the greatest "pull" in tariff construction. But even their wages, though very high, have not risen in the decade 1890-1900 as much as the prices they pay for what they buy. Other high-wage groups, such as boiler-makers and carpenters in the shipping trade, and compositors, show lower wages in 1900 than in 1890.

If we take the full list of representative manufacturers' analyses by Professor Dewey for his wages report in the 1900 Census, we find that the general average of wages exhibits no considerable rise. His investigation covers the male and female employees in the following industries: Cotton, Woollen, Carpet Mills, Dyeing and Finishing Textiles, Knitting Mills, Agricultural Implements, Lumber and Planing Mills, Car and Railroad Shops, Pianos, Wagons and Carriages, Foundries and Metal Working, Iron and Steel Mills, Ship Yards, Bakeries, Breweries, Candy, Chemicals, Cigars, Distillers, Clothing, Collars and Cuffs, Flour, Glass, Paper, Potatoes, Rubber, Printing, Shoes, Slaughtering, Tanneries, Tobacco. In 29 of these men are employed; in 17 women also.

Thus it seems evident that taking general wages in the protected manufactures of America, the Tariff has not served to raise even the money wages, much less the real wages.

Another general test of labour's share in the enhanced product of American industry, is afforded by a comparison between Increase of the number of wage-earners and the Increase of total wages paid,



as set forth in the Census. I give the figures for the entire country, and also for the principal manufacturing States:

	Percentage of Increase in Number of Wage Earners, 1890-1900.	Percentage of Increase of Wages Paid.
U.S.A.	25.2	23.2
Illinois	41.	34.
Massachusetts	11.2	10.9
New Jersey	39.	32.7
New York	12.9	10.4
Pennsylvania	28.7	26.1

*i.e.*, a net decrease of 2 per cent. in wages *per capita* for the whole country is indicated.

## II. PLIGHT OF THE LABOURER.

A very close scientific analysis of unskilled wages in a recent issue of the "American Journal of Political Economy" (June, 1905, p. 359) shows that "the wages of common labourers remain practically unchanged from 1890 to 1900," the higher price of food, rent, etc., having to be defrayed out of this stationary wage.

The significance of this is enhanced by the fact that the modern tendency of American industrial development is to a sharp division between a small quantity of highly skilled and highly remunerated labour on the one hand, and a large and growing quantity of low-skilled and low-paid labour on the other. The proportion of common labour, fed by immigration, is constantly growing. So that even if skilled labour held its own under Protection,—a proposition opposed as we have seen to statistical evidence,—there can be no question but that the nine years of high tariff, through which America has passed, have been attended by considerable loss of

real wages and a lowering of standard of life among a great and a growing number of workers.

The late Edward Atkinson, in his evidence before the American Industrial Commission, showed that the industries, to which protection against foreign competition was afforded by the Tariff, employed not more than 1,000,000 out of 26,000,000 of the American population engaged in gainful occupations. Even in the case of this million—those employed in certain metal, textile and other manufacturing industries—we have seen that any high money wages which the Tariff may have assisted them to gain were more than offset by the rise of prices, while the rest of the 26,000,000 have simply been taxed for the benefit of the favoured 1,000,000, or more correctly of the favoured masters of this million.

## 12. STANDARD OF LIVING IMPAIRED BY DINGLEY TARIFF.

So far from raising the wages and standard of life of the workers, the Dingley Tariff has reduced the wages and impaired the standard. By facilitating the creation of trusts, monopolies and other combines, it has weakened the bargaining power of organized labour, reduced the demand for skilled, as compared with unskilled, closed down large numbers of mills and workshops ; by resisting competition and securing to the trusts a full control over the American consumer it has enabled corporations to raise prices, and most of all in the necessaries of life which constitute the bulk of the expenditure of the working-classes.

## 13. UNEMPLOYMENT.

Protectionists claim that a tariff can secure full and continuous employment for labour. But such evidence

as is available shows that the fluctuation of employment and the actual waste of labour power are quite as great in the United States as in Great Britain. No federal collection of the figures based upon Trade Union returns exists, so that a direct comparison in the two countries is impossible, but the Trade Union returns for New York State show a far larger amount of irregularity and loss of time than would be found in any industrial area of corresponding size in Great Britain.

The following Table gives the mean percentages of idle members of Trade Unions in New York State during certain recent years in the principal departments of industry:

	1897	1898	1899	1900	1901	1902
Building, &c. ...	27.6	28.4	19.5	26.0	18.6	17.1
Clothing and Textile	24.4	35.7	15.1	33.2	20.9	24.
Metals, Machinery...	21.	7.5	5.7	8.8	8.2	5.2
Transportation ...	—	—	8.1	16.3	13.1	16.3
Printing, &c. ...	15.9	11.3	8.0	8.8	8.3	13.1
Woodworking and Furnishing ...	26.3	16.8	12.8	12.7	12.5	15.7

It is right to explain that these figures include persons unable to work owing to strikes, lockouts, sickness or superannuation, as well as those unemployed through lack of work. But the factors of sickness and superannuation may be regarded as constant, and in most of these groups strikes and lockouts large enough to swell the percentage appreciably have not occurred. Thus it appears that the greater part of the difference between the 5.7 per cent. of unemployed labour in the metal trades of 1899 and the 21.0 in 1897, or between the 8.1 per cent. of unemployed labour in Transportation in 1899

and the 16.3 in 1902 must reasonably be imputed to trade fluctuation and must be taken as *primâ facie* evidence of a great excess of supplied labour over the demand in the years of high percentages.

The most scientific inquiry into employment or loss of working time was made by the Massachusetts Bureau of Labour in 1904. From returns drawn from a great variety of industries, including the building trades, car workers, printers, tailors, woodworkers, etc., it compiled a very instructive table, showing:

(1.) The average time wasted and lost in the various trades.

(2.) The relative importance of personal, climatic, and trade causes of loss of work.

The general summary may be quoted here:

	Number of hours.	Per- centages.	Averages (hours per week).
Total working time ...	37,765 $\frac{3}{4}$	78.08	38.9
Total time lost ...	10,601 $\frac{3}{4}$	21.92	10.9
Sickness ...	1,228 $\frac{1}{2}$	2.54	1.3
Weather ...	2,491 $\frac{1}{2}$	5.15	2.6
Out of Stock ...	1,306 $\frac{1}{2}$	2.70	1.3
Out of Work ...	5,575 $\frac{1}{4}$	11.53	5.7

"The total time worked was 37,765 $\frac{3}{4}$  hours, or 78.08 per cent. of full time. The total time lost was 10,601 $\frac{3}{4}$  hours, or 21.92 per cent. Of this lost time 2.54 per cent. was due to sickness, 5.15 per cent. to bad weather, 2.70 per cent. to the lack of stock, and the 11.53 per cent. to lack of work." (Report of the Statistics of Labour—Massachusetts—1904, p. 10.)

This inquiry into the industries of a typical manufacturing State during a period of general prosperity shows an amount of unemployment from trade causes

amounting to 11.53 per cent. and considerably exceeding the waste due to all other causes.

One more record of fluctuation of employment is furnished by the Labour Bureau Statistics of Pennsylvania, an inquiry into the employment in 350 businesses of various sorts, employing 132,092 workpeople during the period 1892-1901, yields results which are expressed in the following table: (The year 1900 is taken as the standard with a measure of 100, and the numbers for the other years mark the variations from this standard).

Year.				Index Number.
1892	...	...	...	100.05
1893	...	...	...	89.38
1894	...	...	...	79.95
1895	...	...	...	93.09
1896	...	...	...	86.32
1897	...	...	...	88.65
1898	...	...	...	100.86
1899	...	...	...	112.87
1900	...	...	...	100.00
1901	...	...	...	114.33

Here in the chief State of protected industry we find no stability of employment, but a fluctuation larger and more various than in any section of industrial Britain. Turning from sections to the country as a whole we find the 1900 Census registering the fact that no less than 6,468,964, or 22 3-10 per cent. of all the workers in the country, were unemployed at some time during the year, and that of the male portion of the unemployed body, 39 per cent., or 2,069,546 persons, were out of work during a period of from four to six months. Such statistical evidence, then, as is available does not support the allegation

that Protection by securing the home market for American producers makes full and continuous employment for the working-classes.

#### 14. THE EFFECT OF TARIFF UPON PRICES.

Protectionists often maintain that the secure position of the home market afforded by a Tariff enables manufacturers to utilize all the economies of large-scale production more advantageously than if the home market were liable to invasion by foreign competitors, and that manufactured goods thus produced more cheaply will be sold at lower prices to consumers.

An effective exposure of the falseness of this contention is afforded by recent evidence of the difference between home prices and export prices in the case of the protected manufactures of the United States. Attention was first called to this price-discrimination sixteen years ago in relation to the machine-making industries. A few quotations from trade journals and other authoritative sources illustrate this point.

The "American Machinist," September 26, 1889, said :  
*"Just why American manufacturers will sell machinery and other goods from 10 to 30 per cent. cheaper in Europe than they will sell them to be used at home is rather puzzling ; but anyone curious in the matter can easily enough find out that many of them do this. It may be necessary to cut prices in order to secure trade from abroad, but it is likely to strike the American purchaser as being a little rough on him."*

The "Engineering and Mining Journal," March 15, 1890, said :

"So soon as an industry has attained the position where it can more than supply our home market and has to send its goods abroad, where they compete with those

of foreign manufacturers, it is evident that they are either giving the foreigners the benefit of lower rates than they do our own people, or that they are able to get along at home without any protection from foreign manufactures. It is not fair that our own people should be made to pay more than foreigners for the products of our own land."

The Republican Secretary of Agriculture, Mr. Jeremiah M. Rusk, gave some expert testimony on this subject in 1890. He said :

"I had an opportunity to take some stock in the combination (American Harvester Company), and I know what inducements were offered. An investigation will show that this same combination is now selling or offering to sell machinery in Russia and Australia and other wheat-growing countries at a lower figure than they do in this country. This won't do, and I need not offer any argument to prove the weight or truth of the assertion. The first thing the farmer will do when he is acquainted with the facts will be to make a howl against the trusts and protection that does not protect. Whether justly or no, he will charge it to the Republican party. I am as certain as I can be of anything that this Mower and Reaper Trust will cost the Republican party hundreds of thousands of votes at the next Presidential election unless it takes a firm stand against it and trusts in general."

In 1890 it appears that agricultural implements, machinery and tools were sold for export at prices from 5 per cent. to 40 per cent. below those charged in the home market. "Barbed wire was then sold for export at \$2 and at home at \$3 per hundred lbs. Wire nails at \$1.35 and \$2.25 respectively. Rivets at \$5.55 and \$10. Typewriters at \$60 and \$100. Sewing machines at \$20.75 and \$27.50."

The effect of this artificial rise of prices in the iron and steel trades upon the "higher" industries where these protected products entered as "materials" was

recognized in the damage done shipbuilding. The following quotation is from a special article on iron and steel in the official "Report of the Bureau of Statistics on Commerce and Finance" for August, 1900:

"The progress of work on shipbuilding in the United States has likewise been retarded, because makers of steel materials required a higher price from the American consumers than they did from the foreign consumers for substantially similar products. Of course, American exporters have to get foreign contracts in competition with foreign plate makers, who are excluded from our domestic market. In addition to this, American export plate makers are interested in preventing the establishment of plate manufacturing in their customer nations abroad, and to that end bid low enough to discourage foreign nations from entering the field for producing their own plate at home. The progress of domestic manufactures of iron and steel goods may likewise be handicapped by the sale of iron and steel in their manufactured state at so much lower a price to foreigners than to domestic customers as to keep the American competitor out of foreign markets generally. The natural limit to such a policy of maintaining a higher level of prices for these materials at home than abroad is found in the restriction of domestic consumption and the import duty. If restriction of consumption at home does not operate to prevent the short-sighted policy of discrimination against domestic development of manufacturing industries, *the other contingency is more or less sure to rise, namely, the demand for the reduction of the tariff on unfinished iron and steel, in order to equalise the opportunity of makers of finished products in foreign markets.* To this policy the domestic consumer is usually ready to lend himself, thus making a powerful combination of interests to set limits to the rise of domestic prices on iron and steel materials.



## 15. PRESIDENT SCHWAB'S CONFESSION.

The best evidence of this policy of price discrimination in the iron and steel trades is contained in the avowal by President Schwab of the United States Steel Corporation before the Industrial Commission in 1901:

"*Q.* Is it a fact generally true of all exporters in this country that they do sell at lower prices in foreign markets than they do in the home market ?

"*A.* That is true, perfectly true. I just want to interrupt you and say that American steel has been sold in the American market at as low prices in times of extreme depression as it has been in foreign markets, but it has been sold without profit. You know we do run for a space of time at a loss.

"*Q.* Would you say that when business is in a normal condition the export prices are regularly somewhat lower than home prices ?

"*A.* Oh, yes ; always.

"*Q.* (By Mr. Jenks) I should like to go back a moment to the question of export prices. You said that during last year the export price was considerably lower than the price in the United States. Would you mind giving us definite figures ?

"*A.* I have not them at hand, but it would vary with each article.

"*Q.* Suppose you take the case of steel rails. Could you give us about the difference between the export and domestic price ?

"*A.* I would have to make a guess ; I do not know definitely. The export price was about 23 dollars a ton.

"*Q.* And the price here ?

"*A.* Was 26 and 28 dollars.

"*Q.* At the same time ?

"*A.* At the same time.

"*Q.* In making these export prices, are the export prices at all uniform or do they vary ?

"*A.* They vary with the competition we may have."

## 16. PRICE DISCRIMINATION IN FAVOUR OF FOREIGNERS.

Considering that the Industrial Commission was a strongly partizan body appointed by a Protectionist Government, the body of testimony elicited by it upon this important subject is of great significance. It sent schedules of inquiry to 2,000 out of the 600,000 manufacturing establishments in the country. Out of the 2,000 it received 416 replies, 75 of which contained an admission that they were discriminating in favour of foreign consumers. Considering that there was no obligation to reply to the inquiry, and that the great majority of the respondents would, as good Protectionists, be indisposed to give a weapon to the enemy, it was remarkable that so many admissions of discriminative prices were obtained. Very few replies were received from the Trusts, although they have notoriously been the chief discriminators.

Since the Report of the Industrial Commission has been published, several other official inquiries have been held, in the course of which supplementary evidence upon export prices has been given.

In April, 1902, Mr. John M. Peters testified before the Ways and Means Committee of Congress that lead was exported and sold for a little more than half the home price, while the President of the New England Shoe Association testified that leather was sold for export at 5 per cent. to 10 per cent. below domestic prices. Before the Congressional Merchant Marine Commission (1904) "Mr. James J. Hill, of the Great Northern Railway, stated that competing roads in Canada were obtaining American rails at \$10 per ton less than he had to pay for them, and, since that

testimony was given, the trade papers have reported heavy sales by the United States Steel Corporation to the Canadian Pacific R. R. Co. at \$20 per ton—\$8 lower than the lowest domestic price.” (Reform Club Pamphlet, *Export Prices*, 1904.)

Senator Bacon of Georgia, in a speech before the Senate in April, 1904, produced convincing proof that steel rails were offered to Honduras at \$20 per ton, when the same rails could only be bought for \$29 for American railroads. Here was an excess charge of \$33,000 on 50 miles of railroad. “Because we were Americans interested in the development of a small section of our country, inviting faith and sacrifices, we were compelled to pay out as a bonus an excess of \$600 per mile.”

The difficulty of getting exhaustive evidence upon matters of price discrimination, where there is a premium on secrecy, is obvious. But the Tariff Reform Committee of the New York Reform Club\* has made a careful compilation from leading trade journals, supplemented by private inquiries, which contains several hundred instances of goods sold abroad at lower prices. The difference takes two forms: a special or a larger discount is offered in goods for export, or a low list of prices cited. In many cases both discriminations exist.

From two lists we cite a few cases illustrating the magnitude of the differences and the variety of goods which comes under the discrimination.

\* It must be remembered that in America this is a Free Trade body.

	Export Price.	Home Price.	Differences Per Cent.
Axes (Yankee in handles) ...	\$6.75	\$7.50	11
Baking Powder (Horsford, per case) ... ..	3.66	4.15	13
Braces, drill ... ..	23.09	24.30	17
Brushes (Painter's A, quality No. 2.0) ... ..	3.20	4.00	25
Canned Peas ... ..	.85	1.05	23
Canned 3-lb Apples, per doz...	.80	1.00	25
Cartridges U.M.C. Co. Army use, per M. ... ..	7.83	8.70	11
Chairs, maple, cane seat, No. 2584, per doz....	13.00	17.50	35
Clocks (8-day, Akron or Aldrich)	1.50	2.00	33
Cutlery, table knives and 3 prong forks, No. 632 (per gross, pairs) ... ..	10.97	12.75	16
Drills, breach, Nos. 10-11 per doz. ... ..	23.40	27.54	18
Fountain Pens, No. 12, plain...	1.47	2.50	70
Gas Machines, acetylene, 10 lights ... ..	28.80	48.00	66 2-3
Glue, in glass bottles, per doz.	.49	.56	16
Harness, cart or dray, best quality. No. 2085 ...	26.75	35.00	31
Kerosene Oil in cases ... ..	.11	.15	36
Leather Belting, first quality, 6 in., per foot ... ..	.38	.53	44
Naphtha, 76°, per gal....	.12	.14	16
Pails, wooden, 2 hoops, oak grained, per doz. ...	1.35	1.75	30
Pencils, lead, fine, even, per gross ... ..	2.25	3.00	33 1-3
Printing Presses, No. 6 ...	850.00	1,000.00	18
Ploughs, 2-horse Eagle W. & C.	4.15	5.25	25
Saws, circular, 22 in. ... ..	4.62	5.50	18
Soap, Violet, per gross...	32.00	40.80	25
„ Glycerine ... ..	8.34	12.75	52
Sozodont, large size ... ..	54.72	65.40	25

	Export Price.	Home Price.	Differences Per Cent.
Stoves, No. 8, square top ...	11.97	16 00	33
Tobacco (due to int. rev. tax— B. H. Holt) per lb. ...	15 to .19	25 to .30	60
Trucks, railroad ...	23.10	26.40	15
Trunks, No. 175, 28-in. ...	2.50	3.25	30
Vaseline, blue seal, No. 2 size, per doz. ...	.58½	.70	20
Watches, 18 carat gold, No. 2400, 18 size hunting cases	40.00	50.00	25

The differences of discounts between export and home prices are similar in variety and size, ranging from 5 per cent. in paints to 66 per cent. in gas machines and 100 per cent. or more in shot, playing cards, talking machines, etc. So the foreigner gets all his chairs 35 per cent. below the home prices, his cutlery at 16 per cent., his gas engines at 66 2-3 per cent., his harness at 31 per cent., his pencil at 33 1-3 per cent.

The great variety of the trades practicing this discrimination certainly bear out the conclusion of the Tariff Reform Committee, that of the manufactured exports for the year ending June, 1900, valued at \$452,000,000, "the great bulk are sold at prices materially lower than those prevailing in the United States. Those who have been connected with the export trade for many years estimate that 85 per cent. or 90 per cent. of our exports are sold at an average of about 20 per cent. less than they would have brought if sold at home-market prices."

This "dumping" is not a merely brief and casual expedient, a panic policy in times of over-production, or a temporary dodge to force an entrance into a new foreign market.

We have no reason to doubt the accuracy of Mr. Schwab's answers to the Industrial Commission, previously noticed. The reason he assigns for lowering export prices of course only explains why American exporters must underbid the prices of the goods produced in foreign countries. He does not explain why the prices of steel rails, which on his own admission could be produced at lower cost in Pittsburg than in England or elsewhere, should be so much higher in America itself than in the export trade.

The evidence of the "dumping" as a regular trade policy forbids us to entertain the notion that the exported goods are sold at a loss. It is quite evident that the export trade at the lower prices is normally run on a profitable basis.

Conversely, we must suppose that America suffered doubly by the discriminative price; not only had her consumers to pay higher prices for their commodities, but the American industries, into which these goods entered as materials, found their competitors abroad actually subsidized at their own cost, they paying artificially enhanced prices for their pig-iron and their steel bars, in order that the foreign firms with whom they compete for neutral trade might be enabled to produce more cheaply.

#### 17. THE TARIFF INJURES, NOT PROTECTS, AMERICAN INDUSTRY.

Nowhere is the logic of the false economy of a tariff more plainly driven home than here. What is the natural policy of American industries which find that their national tariff handicaps them by raising the prices of their raw materials? It is to set up

their plants abroad where they can get the advantage of cheap export prices from their own country. This is in fact what American manufacturers of articles into which iron enters as a chief element of cost are constantly doing. The following striking testimony to this tendency of Protection to drive capital out of the country is borne by Mr. S. N. D. North, Director of the Census, himself a Republican, writing in an economic journal (*Annals of the American Academy of Political and Social Science*, Jan., 1900).

“It remains the fact that a constantly increasing number of our great manufacturing corporations are constructing vast plants abroad to supply their foreign customers; and, of course, they would not do this unless experience proved there was an advantage in it. I have before me a long list of these establishments. It indicates that more than 40,000,000 dollars of American money is now invested in European plants devoted to the manufacture of various American specialties, including all descriptions of electric apparatus, sewing machines, belting radiators, shoe machinery, coal-conveying apparatus, steel chains, machine tools, hoisting machinery, boilers, pumps, blowing engines, mining machinery, printing machinery, elevators, match-making machinery, pneumatic tools and photographic apparatus.

“The Western Electric Company, of Chicago, Ill., is interested in extensive factories in London, Paris, Antwerp and Berlin, not all of them carried under the name of that company, but all of them established and controlled by its capital. The General Electric Company has three or four such establishments, and has recently constructed a huge new factory in Rugby, England. The Westinghouse Company has just finished, at Trafford Park, in England, one of the largest electric factories in Europe, employing two or three thousand men, and it has other factories in Havre, France, and St. Petersburg,

Russia. The Singer Sewing Machine Company has three large plants in Europe, under its direct control. The Chicago American Tool Company is building a plant at Frazerburgh, near Aberdeen. The Hoe printing presses are made in London, as is also the American linotype machinery. The Draper Company has recently completed its new factory in Lancashire, to supply the greatest cotton manufacturing district in the world with American fast-running Northrup looms. This list might be extended indefinitely, and a fine field for investigation opened for the full measurement of this remarkable transplantation."

Here is a very practical answer to the Protectionist contention that a tariff by fostering industry draws capital into the protected area. Even trades which themselves have a high protection on the goods they produce are found placing large plants abroad, because of the injury they sustain by the protection of other trades engaged in producing their raw materials.

#### 18. PROTECTION'S ACTUAL BENEFICIARIES.

The only industries which "enjoy" Protection in security are those engaged in the primary processes of converting the produce of the earth into material for higher manufactures. All other industries, whether themselves protected or not, pay a heavy toll to the mine-owners, foundry men, lumber men, millers and other makers of raw materials. As for the total bill paid by the American nation in its capacity of consumer, no close computation is possible. But when we take into consideration the great rise of wholesale and retail prices proved to have taken place in recent years, there seems nothing unreasonable in the enormous figure suggested by the Tariff Reform Committee, as the real price of Protection:



“The total price of manufactured goods sold to final consumers in this country can hardly be less than \$6,000,000,000, and may be as high as \$8,000,000,000. If, as is reasonable and probable, their goods are worth 20 per cent. more in the home market than they would command for export, or more than they would command in our markets, were there no tariff-protected trusts and monopolies in control here, then we are paying something more than a thousand million dollars a year for our tariff whistle. This is the cost at wholesale prices. At retail prices the cost of ‘Protection’ is probably \$1,500,000,000 or \$1,600,000,000. This is about \$90 per family for our entire population.”

“Yes,” perhaps our Protectionists may say, “but this is only the consumers’ standpoint. The family gets back the \$90 through the profitable nature of production. The producer gains all the consumer loses and perhaps more.” Does he?

We have already tested the bold surmise as regards the great majority of producers, the working-classes, and have seen that their wages have not risen commensurably with the rise of prices in their food, clothes, shelter, and other commodities; that they are heavy net losers by a tariff. We have seen that this applies not only to the workers in trades which, not being subjected to foreign competition, are unprotected, but also to the employees in their metal, textile and other high protected manufactures.

The answer is a double one. The greater part of the loss to the nation is not a gain to anyone; it simply represents national waste by a wasteful distribution of economic power in the production of wealth. Protection has diverted American capital and labour from its naturally most productive channels into less

productive ones, and for this false economy the consumer has to pay. The rest goes into the pockets of a comparatively small fraction of the community, the financiers, organisers, or employers in those industries which have succeeded in getting so strong a pull on the tariff, that the gains they make on the enhanced prices they can charge, outweigh any losses they sustain by the action of other portions of the tariff upon the price of their materials and any other cost of production.

Protectionism thrives on bluff. The small group of organised interests with political "pull" persuades Governments that a high tariff is essential to the "national industry," asserting that the benefit of Protection is generally diffused throughout the capital and labour of the country. Actual analysis of industry and of the occupations of the people exposes the falsehood of this pretence.

The late Edward Atkinson, of Boston, presented a close analysis of the 1900 Census, with reference to Protection, in which he shows that the population whose employment would be prejudicially affected by the immediate and the complete withdrawal of the tariff, would probably not exceed 600,000, and certainly would not exceed 1,000,000 out of the 29,000,000 persons engaged in gainful occupations in the United States.

The following diagram expresses the proportion of persons engaged in industries benefited by the tariff, to those not so engaged:\*

<i>a</i>	<p>I. AGRICULTURE.</p> <p>10,381,765.</p> <p><i>a</i> Subject to foreign competition ..... 200,000          Free from foreign competition ..... 10,181,765</p>
<p>Average proportion of the products of agriculture exported          in recent years.</p>	
<p>2. PROFESSIONAL SERVICE, 1,258,739. Free from foreign          competition.</p>	
<p>3. DOMESTIC AND PERSONAL SERVICE.</p> <p>5,580,657.</p> <p>Free from foreign competition.</p>	
<p>4. TRADE AND TRANSPORTATION.</p> <p>4,766,964.</p> <p>Free from foreign competition.</p>	
<i>II</i>	<p>5. MANUFACTURES, MECHANIC ARTS, AND          MINING.</p>
<i>III</i>	<p>Subject to urgent foreign competition, II.... 400,000          Subject in part to urgent foreign compe-          tition, III..... 400,000          Free from foreign competition..... 6,285,992</p>
<p>Total..... 7,085,992</p>	

\* The sizes in this diagram are proportional to the amounts of the figures.

Mr. Atkinson's computation of course includes the employees in those industries which would be injured by a removal of the tariff aid which they now enjoy. But though a sudden removal, or even large reduction of the tariff would reduce the employment of those classes of workers, it must not be presumed that a gradual reform would have any such effect. It would simply divert the fresh labour which continually flows in to feed these protected industries into other non-protected channels. For a tariff has no influence in enlarging the aggregate of employment in the country, nor are the real wages of employees in protected industries higher than in non-protected ones.

This being so we cannot rightly regard the workers among the 1,000,000 whom Mr. Atkinson accredits to the protected trades as genuine beneficiaries of the tariff. They make nothing out of Protection now, and would not suffer by the entire withdrawal of the tariff gradually accomplished. Indeed it is obvious that they would share with the rest of the workers of America in the higher money wages and the lower prices which would naturally flow from the greater productivity imparted to capital and labour by the adoption of Free Trade.

#### 19. THE TARIFF AS A FOSTER-MOTHER OF TRUSTS.

If the whole or the larger part of the enhanced prices paid by the consuming public in consequence of import duties passed into the coffers of the Government, the organised industrial interests of the United States would not spend so much money or trouble in agitating for the maintenance and increase of these duties. In point of fact, the major part of the enhanced prices extorted from the consumer passed not

into the public Treasury but into the private purses of the Capitalists of the protected industries.

By causing a restriction of supply a tariff always raises the price for all goods sold in the home market. An elaborate calculation made by the Reform Club showed that in 1903, out of an average family expenditure of \$940, no less than \$111 represented the total tariff tax, and that of this \$111 only \$16.52 was taken by the Government, the other \$94.48 passing to the Capitalists in the protected trades.

Though such nice calculations involve a considerable element of hypothesis, there can be little doubt that the private business takes out of the pockets of the people several times as much as the public treasury, from the increased prices due to import duties.

How much they can take depends, however, very largely on the effect of the Tariff in establishing freedom of competition among home producers. If a sufficient number of independent manufacturing firms exists, enjoying substantially equal access to raw materials, transport facilities, etc., and competing closely among themselves, the enhancement of prices caused by the tariff may not be considerable. It cannot, for instance, be contended that the tariff upon leather and shoes raises the American prices for shoes by the amount of the duty. If hides were on the free list shoes could be produced in America as cheaply as they could be imported free of duty, and the effective competition among New England manufacturers is such as to keep prices close down to cost of production. On the other hand, we have seen that steel rails, though admittedly produced as cheaply in the United States as anywhere in the world, are sold at some \$6 per ton dearer. This could not occur

merely as the result of an import duty, unless a combination in restraint of competition enables the steel producers of America to take full advantage of the Protection for their private ends.

In order that home prices may rise to the full amount of the import duties, one of two conditions must be present. Either the natural cost of production in the United States must be so much higher than the costs of production in foreign countries, *plus* cost of carriage, that domestic products can only be put upon the market at a price practically equivalent to the imports which are saddled with the tariff; or else a conspiracy of home producers must succeed in restraining free competition, so as to take full advantage of the tariff in raising prices and in securing the profits of a monopoly.

Now one of the most obvious and important results of a tariff is to assist the organization and the maintenance of such combinations. In the United States the name Trust is commonly given to all large corporate businesses which are strong enough to exercise an absolute or a partial control of markets. A Trust is apt to arise in any industry where the economy of producing on a large scale is justified by one or more of the following conditions:

- (1) Superior access to raw materials or position.
- (2) Superior control of transport or other means of distribution.
- (3) Patents, trade-marks, secret processes, or other special advantages.
- (4) Public franchises, licenses, or other privileges in restraint of competition.
- (5) Tariff legislation.

Most strong Trusts in America are found to be in possession of these supports. But, so far as manufactured products are concerned, none of the other aids is effective unless supported by a tariff. Strong internal combinations of capital may be founded upon other advantages—a pool of all the manufacturing businesses in the United States might be formed, or a binding agreement as to prices might be made among independent firms. But such an arrangement could seldom succeed in raising appreciably the price of manufactured articles, provided free access were given to foreign products to enter and compete in American markets.

What the Tariff really does is to enable an industry already far advanced towards combination to complete its pooling process and to maintain the monopoly thus acquired. The existence of a protective tariff or the probability of getting one, is a strong incentive and assistance for a business, or a group of businesses already commanding a strong position in the market, to come to terms with its remaining competitors, so as to form a substantial monopoly.

Upon this point also the Census Bulletins yield sufficient information bearing upon the part played by the Tariff in generating Trusts. Out of a total number of 183 Industrial Combinations registered in the 1900 Census Returns, no fewer than 120 came into being after the introduction of the Dingley Tariff.

This is what happened in the extension of the great Cordage Combine proposed in 1890, in anticipation of the McKinley Act (Von Halle, "Trusts," p. 61). And there can be no reasonable doubt but that the rapid ripening of industrial combination, which began in 1898, was materially assisted by the Dingley Tariff.

Though no more recent official list is available than that given by the Census Report for 1900, the summary of Industrial Combinations given there throws interesting light upon the classes of industry which have advanced the furthest in the processes.

Industry Group.	No. of Com- bina- tions.	No. of Plants.	Capital.	Wage- earners.
1. Iron, steel, and products	40	447	\$341,779,954	145,609
2. Food and kindred products ... ..	22	282	247,944,675	33,165
3. Chemicals and allied products ... ..	15	250	176,512,835	28,401
4. Metals other than iron and steel ... ..	11	89	118,519,401	20,522
5. Liquors ... ..	28	219	118,459,158	7,624
6. Vehicles ... ..	6	65	85,965,683	34,422
7. Tobacco ... ..	4	41	16,191,818	17,661
8. Textiles ... ..	8	72	92,468,606	37,723
9. Leather, &c. ... ..	5	100	62,737,011	9,898
10. Paper and printing ... ..	7	116	59,271,691	16,706
11. Clay, glass, &c. ... ..	15	180	46,878,928	20,294
12. Lumber, &c. ... ..	8	61	24,470,281	10,778
13. Miscellaneous... ..	16	118	45,408,869	17,243
Total ... ..	185	2,040	\$1,436,625,910	400,046

Since the last Census, combination in restraint of competition has gone much farther, especially in the metal trade, by the formation of the gigantic United States Steel Corporation.

But if we consider the last Census with reference to import trade, we shall perceive that industries which here exhibit the concentrative tendency are those which are most exposed to foreign competition, and which have exerted the strongest influence in the formation of the protective tariff.

The duties on Iron and Steel, on those chemicals



which are manufactured in the United States, on china and earthenware, on tobacco, on wool and woollens, on cotton and silk goods, and on sugar, are in all cases more than the entire American wage-cost, are in many cases more than one hundred per cent., and therefore practically prohibitory. Their true character is concealed by the device of compound duties. A specific tax of so much per pound is added to an *ad valorem* rate. This is especially true of the duties on the cheaper grades of cotton and woollen goods.

It thus becomes evident that the great Industrial Combinations most exposed to foreign competition have most adequately protected themselves by rates of import duties.

The tariff thus helps the formation and the maintenance of Trusts with their artificially enhanced prices, their restraint of competition, control of labour and corruption of legislation and administration.

It is, however, sometimes argued that the removal of the tariff would not restore effective competition, and that an international combination would be formed. This is pure assumption. The formation and maintenance of an international trust on a great scale, really effective in its working, is impossible. A few instances of international trusts, of working agreements partially successful in the restriction of competition and the maintenance of prices, have existed in a few minor trades, the most conspicuous instance being the Coates-Clark Cotton Thread Trust. Even in so strongly organized an industry as that of oil no firm abiding compact has been feasible between the few companies controlling the chief sources of the world's supply of crude oil; nor is it easy to believe that such an arrangement as that recently essayed

between the great Iron and Steel Corporations in Europe and America for the apportionment of output and the relation of prices in the several countries, can be maintained against the pressure of outside capital seeking to share the surplus profits which would proceed from such a monopolistic contrivance.

An attempt, years ago, to form an international copper trust broke down of its own weight. A recent attempt to form an international shipping trust also failed. The Cunard Steamship Company, the Hamburg Line, the North German Lloyd and the French Line refused to join in it, and still maintain the freedom of the sea.

The stout and expensive opposition maintained by the industrial trust against the reduction of import duties, is, of course, a plain confession that the free admission of foreign supplies would reduce prices in the American markets, and that the substitution of an international or a national trust, so as to prevent this reduction of prices, is not in their opinion the "simple" step which it seems to some Protectionists.

If not the true mother, a Tariff is the foster-mother of Trusts, and the chief source of the power exercised by these gigantic compacts to stifle competition, raise prices, restrict output, and corrupt Governments.

In point of fact, by letting down the Tariff barrier, the consumers would secure generally competitive prices, by making the Trusts compete with large well-equipped foreign producers, instead of with the small inferior firms inside America, which are permitted to survive because their influence as competitors is negligible.

## 20. HOW THE PROTECTED INTERESTS MAINTAIN THEIR PRIVILEGE.

By an accumulation of statistical and other evidence drawn from various sources, we have shown that the high protective tariff of the United States is injurious to the material and moral welfare of the population of that country, that the wage earners in particular have been hurt by it, in respect to wages, prices, and regularity and security of employment; that the public revenue has shared to a comparatively small extent in the enhancement of prices occasioned by protection, and that the chief beneficiaries are a small number of capitalists in those industries which, being most strongly organized for purposes of political "pull," have succeeded in obtaining from the federal legislature the power to tax the general consumer for their private profit.

In the face of testimony so overwhelming, how do the protected interests succeed in maintaining that privilege? In answer to this question, it must suffice to explain briefly the inertia in American Democracy which has enabled the protected interests to resist recent attempts to lighten the burden of tariff taxation.

We may set aside as a negligible factor the pretence occasionally put forward by Protectionist politicians, that the present, or indeed any past American tariff is a "scientific" tariff adjusted to a disinterested consideration of national economy by the fostering of infant industries in proportion to present workers and future work, and by the protection of older but still struggling industries against the "unfair" competition of foreign businesses based on sweated labour or

public subsidies. The ideal of the United States as a virtually self-sufficing economic system with all essential industries developed in due proportion, independent as far as possible of foreign markets, either for buying or for selling, and thus secure from political entanglements which attend the large world commerce, an ideal never consciously held by any considerable number of Americans, must be considered to be definitely and finally abandoned, in view of the growing international position which the Government and people of the United States are taking both in politics and industry.

Even in earlier times it was not seriously contended that the formation of a tariff was really demanded either by the needs of the general exchequer or by the public advantage which might accrue from various measures of Protection accorded to the different domestic industries. Knowledge of the actual pressure which moulded the tariffs in passing through the Committees at Washington, suffices to dispel any such illusion. A tariff never was based on a "scientific" interpretation of "national economy." Still less is such a notion tenable to-day, for the great recent development of an export trade, not only in raw materials but in manufactures, has removed the foundation of a "national economy," such as Carey contemplated. The great protected industries are themselves chiefly responsible for the recent rapid extension of the export trade, involving, if not immediately, at any rate in the long run, a corresponding extension of imports and a consequent dependence of the United States upon other countries for some considerable number of commodities.

## 21. PRESENT STATE OF PUBLIC OPINION.

This new trend of events has helped to open the eyes of the American people. The old widespread belief that a protective system was a right financial counterpart of the political system, which aimed at minimising international relations, has disappeared. Few thoughtful men, even among the habitual adherents of the Republican Party, believe in the honesty or impartiality of the Dingley Tariff Act. The ordinary attitude of business men throughout the country is one of cynical disbelief in the possibility of a "scientific" or even a "fair" tariff. Working men everywhere are aware that it is a form of capitalist plunder.

Although it would be incorrect to affirm that any definite apprehension of the Free Trade theory is widely accepted in any quarter, there has been for some years past a growing disgust with the inequalities of the tariff and a desire for a large measure of tariff reform. But the fierce and growing animosity against Trusts has helped to retard the efficacy of the movement, for Trusts have other supports and other modes of extortion more galling to the mass of American citizens even than the Tariff. The direct control exercised over oil, coal, meat, wheat and other necessaries, by conspiracy with the railroads, has served to direct public feeling into another channel than tariff reform. The fierce prolonged attack upon illicit practices of railroads, into which President Roosevelt and some other reforming Republicans have thrown their energies, has procured a respite for Protection.

Then again even the keenest enemies of the Tariff

hesitate to press their attack at a time of great and general prosperity among the business classes of the country. For though, as we have seen, the great mass of the workers are not better off, there has been a great growth of wealth in the country, shared in different degrees by those engaged in the organisation and control of industry, transport and distribution, by the professions, the growing number of public employees, and, in general, by most of the influential and vocal classes of the community. Although their prosperity is not due to the Tariff, it appears to be consistent with its maintenance, and the prospering American business man or professional man will not strike such a blow at the Tariff as would cause even a temporary disturbance of business at such a time.

But it is right to recognise that the real strength of American Protection lies in a certain equilibrium of business interests represented by the Dingley Tariff Act. This indeed is the nearest approach to "Science" that American Protection can claim, the attainment of an adjustment of interest among the industries which count politically, strong enough to resent the attacks of specialist reformers. Regarded thus as a work of political art the Dingley Tariff is worthy of admiration. Its prophets and high priests, such as Senators Aldrich and Lodge, have succeeded in persuading the several sections of Republicans, who at sundry times and places have favoured the free admission of competitive raw materials, reciprocity in non-competitive goods, and general treaties of reciprocity with particular countries, that such disturbances of the scientific equipoise of interest at any point would bring down the whole protective tariff with a crash. Farming interests are set off against

manufacturing, East against West, crude manufacture against finished commodity, so as to maintain a plausible appearance of a justly and a delicately contrived adjustment.

While no one acquainted with the political process of making a tariff supposes that this balance of interests is just, while every competent observer knows that the real adjustment was one of political influences measured by "pull," not of economic needs or advantages, the false pretence of scientific harmony has been so successfully maintained on the stage of politics as to crush revolts within Republican ranks.

In fact, Protection has hardened itself since the passing of the Dingley Act. There is good reason to know that neither President McKinley nor the bulk of the Protectionist leaders in 1897 really intended that the fiscal system of the United States should be operated on this high tariff without flexibility or discrimination. Not merely was President McKinley personally a strong advocate of reciprocity, but he believed that he had provided in the Dingley Act the machinery for operating a series of reciprocal arrangements which would have the effect of leaving the Dingley rates applicable only to exceptional countries which refused to treat with the United States on liberal terms.

"Reciprocity is the natural outgrowth of our wonderful industrial development under the domestic policy now firmly established. . . . Reciprocity treaties are in harmony with the spirit of the times; measures of retaliation are not. If, perchance, some of the tariffs are no longer needed for revenue or to encourage and protect our industries at home, why should they not be employed to extend and promote our market abroad?"

Indeed, attempts were made on President McKinley's initiative to arrange reciprocity treaties with a number of foreign countries in accordance with the fourth Section of the Dingley Act, which permitted this reduction of duties by as much as 20 per cent. in return for reciprocal concessions. Mr. Kasson, on behalf of the Government, completed such arrangements with France, Barbadoes, British Guiana, Turks Island, Jamaica, the Bermudas and Argentina. The Foreign Relations Committee of the Senate reported favourably in each case (except Argentina), but a rally of special interests in the Senate made it impossible to secure the necessary vote of two-thirds for ratification, so that the treaties were withdrawn. Thus it came to pass that for the last nine years the United States has been fettered by a more rigorous protective tariff than was intended by the makers of the Dingley Act, and special interests favoured beyond their needs have thriven under it and, entrenching themselves in the high places of politics, offer uncompromising opposition to all reform.

The first duty of the American people is to break these fetters.







# What Protection Does FOR THE Farmer and Labourer

A Chapter of Agricultural History

BY

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# What Protection Does for the Farmer and Labourer

“Of all things an indiscreet tampering with the trade of provisions is the most dangerous . . . because there is nothing on which the passions of men are so violent, and their judgment so weak, and on which there exists a multitude of ill-founded popular prejudices.”

“It is a perilous thing to try experiments on the Farmer.”

EDMUND BURKE,

“Thoughts and Details on Scarcity.”

DURING the great French war which came to a close in 1815 considerable difficulty was at times experienced in provisioning the Army and Navy, there being at that time no exports of corn from America, and the corn ports of the Continent being shut against us by Napoleon. This necessarily enhanced the price of food at home, and caused inferior soils to be brought into cultivation. Barley, rye, and oats were largely employed for human food, and so apprehensive was the Legislature of dearth that it was enacted that bread should not be sold by the bakers until it had been at least twenty-four hours out of the oven, and thereby acquired a certain degree of staleness which should render it less liable to be cut to waste.

History of  
Protection.

In 1801 the average price of British wheat rose to 119s. 6d. a quarter. This extraordinary price further enlarged the corn area. With wheat at such quotations the Farmer of to-day might think himself prosperous; nevertheless in 1802-3 and 1804, as prices declined *there were complaints of agricultural distress*. The Committee of the House of Commons, to whom petitions relating to agricultural distress were referred, reported: “It appears to your Committee that the price of corn from 1791-1803 has been very irregular. The casual high prices have had the effect of bringing into cultivation large tracts of waste land, which, combined with the two last productive

1802-4.  
Farmers'  
distress.

seasons and other causes, have occasioned such a depression in the value of grain as, it is feared, will greatly tend to the discouragement of agriculture, unless maintained by the support of Parliament." Accordingly, in 1804, the first Corn Law of the century was passed, imposing a prohibitory duty of 24s. 3d. when the price was below 63s., and extending the operation of the existing bounty on export. The object of this Act was the relief of agriculture by keeping prices at something like the height of 1801.

From 1805 to 1813 the price of wheat was maintained. In 1812 it reached 126s. 6d.,\* and the average for the five years prior to 1814 was 107s. The opening of foreign ports which followed upon the return of peace rapidly lowered prices. The Landlords became alarmed, and insisted that the ruin of the British farmer must ensue with wheat at 74s. 4d. and threatening further decline. Such a result was certainly inevitable *if Rents were to be maintained* at the high rates they had reached. In 1814, therefore, a Select Committee was appointed by the House of Commons to consider petitions relating to the Corn Laws. The Committee inquired with much diligence into the "present expenses of cultivation, *including the Rent*," and its Report contains passages which show to whose real advantage the high prices of wheat had conduced. In the years of distress which followed, and which will hereafter be considered, the Farmer frequently looked back with regret to this period. Those who had leases dating from the preceding century no doubt derived considerable profit; but to the majority the "expenses of cultivation" rose faster than the prices of produce. In the years 1790—1795 the Farmer had found little difficulty in earning a livelihood with wheat as low as 43s. But on the 7th of March, 1814, Mr. Western, a Protectionist member, laid upon the table of the House of Commons a series of fourteen resolutions, declaring the "unexampled distress" of the agriculturists, the danger of its continuance, the slackness of the demand for agricultural produce, the heaviness of the burdens

1814.  
Inquiry into  
distress of  
Farmers.

\* The depreciation of the currency had increased. The real price was not beyond 100s. a quarter.

upon the Farmers in the shape of Tithes, Taxes, and Poor Rates. "Thousands have been already ruined, and destitution seems to impend over the property of all those whose capital is engaged in the cultivation of the soil." The outcome of these complaints was a demand for increased Protection. It was "the concurrent opinion of most of the witnesses before the House of Commons Committee in 1814 that 80s. per quarter is the lowest price which would afford to the British grower an adequate remuneration, while several other witnesses, equally distinguished for their knowledge and experience in matters connected with the letting of estates and the agriculture of the country, state that the price of 80s. a quarter will not afford sufficient protection to the British grower. Several prices, from 84s. to 96s., have been stated by different witnesses as the lowest which, under the present charges and expenses of cultivation, would afford a fair remuneration to the grower."

The first ground for these estimates was that "it is stated by all the evidence that, within the period of twenty years, the money Rent of land, taken upon an average, has been doubled." This had been the first effect of the high prices for which the Farmers were desirous. In view of the item of Rent alone, those high prices had brought no benefit to the Farmers, but the contrary. The average price of wheat for the years 1775—1794 (inclusive) had been 46s. 3d.;\* the average price of wheat for the years 1795—1814 (inclusive) was 85s. 4d. It is plain that it was necessary for the Farmer, other things being equal, to receive such a price as would cover the addition made to his rent.† But he did not. Rents, it may be said, rose gradually, but so did the price of wheat. In 1801 wheat had attained its maximum; but, as we see from the Report of the Committee of 1814, though prices had declined, Rents had been maintained by the speculative competition of the Farmers themselves. Nor is the extent of the Farmers' losses through these years of Protection and high prices to be measured only by the difference between the doubled Rent which he paid his

Rent doubled in twenty years.

1814.

\* The imperial quarter is the measure taken throughout.

† Compare the evidence of Mr. W. Hott in 1821 on p. 32.

High prices  
and Poor  
Rates.

Landlord, and the inadequately increased price which he received in the market. Mr. William Driver, Land Surveyor, being asked by the Committee, "Are you aware that the Poor Rates have increased rapidly within the last ten years?" answers, "Yes, I am aware that they have very materially." "To what do you attribute that increase?" "To the high price of corn." Mr. William Henning, of Dellington, Somerset, Landowner, being asked, "Has the Poor Rate increased in the course of the last ten years?" answers, "From ten to fifteen years it has increased more than double." As will be seen from evidence given before subsequent Committees, when harvests were abundant and wheat was cheap, the returns to the Farmer were so much below his outgoings that he was unable to support his labourers. They were, therefore, thrown upon the parish. Official statistics prove that in 1801 the sum expended for the relief of the poor was £4,017,871, and in 1814, £6,294,581. The evidence of the witnesses before the Committee of 1814, and the comparative cheapness of corn, show that most of this increase was in the agricultural districts, for the agricultural labourer occupied a somewhat anomalous position. The Poor Rates showed less agricultural pauperism during high prices of corn, whence it was seriously argued that dear bread was beneficial to the labourer. The fact was that, whether bread was dear or cheap, the labourer was in a state of continuous pauperism, engendered of a vicious Poor Law system. When the returns upon wheat were high, the Farmers could afford to give full employment, and the labourers contrived, with difficulty, to maintain existence, independent of the Poor Rates, on sums averaging about 6s. a week.\* When the price of wheat was low, and the Farmers were themselves im-

\* The natural and necessary tendency of Protection is to depress wages. Wages may be defined as the labourer's share of that which is produced. It is admitted that under Protection production is diverted into channels less productive than it would otherwise seek. But if under Protection the productiveness of capital be less, it follows that the labourer's share will be less, unless he can make profits bear the loss. This, however, he cannot do, for capital being less productive there is less return to be employed in setting labour in motion. Instead of capital competing for labour, labour competes with labour for employment. Want of employment drives the artisans into the field, and a fall of agricultural labourers' wages is the inevitable consequence.



poverished, a condition of things which, in view of the prices with reference to which their Rents had been fixed, was the more frequent, the labourers' destitution was relieved out of the Poor Rates, which accordingly increased in amount. To be well within the mark, therefore, it may be assumed that the growth of the Poor Rates between 1801 and 1814, a dear year and a comparatively cheap one, was not greater in the agricultural districts than elsewhere. Yet even so an increment is exhibited of 50 per cent., an additional burden upon the Farmers' shoulders.

Early in 1816, the Board of Agriculture addressed circular letters of inquiry as to the agricultural state of every part of the kingdom. One of its queries was as to the "State of the Labouring Poor and Poor Rates," and the replies received by it are summarised as follows:—

"The total number of letters containing replies on the first of these subjects amounts to 273.

"Two hundred and thirty-seven letters describe the state of the poor under various expressions, denoting a want of employment in terms more or less forcible.

"One hundred and one of the above letters, expatiating on the degree of this want of employment, describe the extreme distress resulting from it as amounting to great misery and wretchedness, and in some cases to an alarming degree.

"Eighteen letters describe the state of the Labouring Poor as neither better nor worse than formerly.

"Twenty-five letters give a favourable report, representing their state as not in want of employment, and therefore not distressed.

"These forty-three cases so much more favourable than the rest require a few words of explanation, as in fifteen of them there occur circumstances tending to show that whatever the present state may be, it will soon become not superior to that of the rest. In seven of these cases, they are attended by minutes of unoccupied farms and notices to quit. In two others, Poor Rates are stated to be high and increased. In one other, the favourable report combines with the fact of fifty farmers being distrained for rent. In another case, the favourable report

is confined to one or two parishes with much distress in their vicinity. In one other, in which the Poor are represented as not suffering, it is admitted that they have less employment than heretofore. In another case, employment is found by manufacturers, and in one, the Reporter employs all the poor of his parish, on a principle of charity."

Data for  
estimating  
Farmers'  
losses, 1795-  
1814.

Taking these two items of Rent and Poor Rates alone, therefore, the net result to the Farmer of Protectionist legislation for enhancing the price of corn was, on the evidence of the distressed Protectionist Farmers themselves, a serious annual loss. During the twenty years 1795--1814 wheat had, as has been seen, risen less than 85 per cent. Rent, on the other hand, which, as witnesses before the later Parliamentary Committees testify, was adjusted upon the basis of the anticipated returns to wheat, had risen 100 per cent. ; and Poor Rates, at the lowest possible estimate, 50 per cent.

Excessive  
rise of  
Rents in  
Scotland.

How much under the mark this estimate is, particularly applied to the Northern parts of the Kingdom, may be conjectured from the evidence of Mr. Low, the Professor of Agriculture in the University of Edinburgh, before the Committee of the House of Commons in 1833, as to the rise of Rents during this period in Scotland. He says: "Comparing the period from the year 1781 to 1794 with the period from 1800 to 1804, I think the average rise of Rents in Scotland was about 86 per cent. ; and comparing the same period, 1781 to 1794, with that from 1804 to the end of the war (1814), I think there was a rise of 150 per cent. on a medium." This is confirmed by the official estimates of the Rental of Scotland as £2,000,000 in 1795, and £5,278,685 (exclusive of houses) in 1815. If these be just calculations, the balance against the Scottish Farmer would be yet heavier. The rise in Poor Rates, which were below the Rates in the South of England, may be reduced to 25 per cent. Yet even this is a portentous growth. It is of more importance to observe again that the rise of Rent 150 per cent. was a rise infinitely exceeding in proportion the rise of wheat. Nor did the Farmer derive any compensation from the price of meat. Im-

Losses of  
the Scottish  
Farmer.

portation was prohibited, consumption was comparatively unprogressive, and the excessive fluctuations (100 per cent. in six years—1808-14) which were the natural effect of Protection, served only to the further enhancement of Rents. It is therefore no matter for astonishment that by 1814 the cry of agricultural distress had grown loud and universal.

In accordance with the report of the Committee of 1814 a Bill was carried through Parliament in the following year for the purpose of affording further Protection to the depressed industry of agriculture. Considering the evidence of the witnesses as to the lowest remunerative price of corn—evidence, be it remembered, in all cases based upon the assumption that Rents were to be maintained at their existing level—this measure of Protection was exceedingly moderate. This was due, perhaps, to the discontent which it aroused in many parts of the country, and which in some places broke out into disturbances, only quelled by military force. It was unblushingly maintained by the Landowners that it was for the welfare of the State to uphold at their accustomed level the fortunes of a class which supplied officers to the public service.\* The Parliament of 1815, therefore, being composed almost exclusively of Landowners, proceeded to enact a Corn Law which excluded foreign wheat when the price was under 80s. a quarter, allowing its free importation when above 80s.

It was not only by the manufacturers that this enactment was opposed. In the House of Lords it gave occasion to a weighty protest drawn up by Lord Grenville, the

The remedy sought in increased Protection.

Opposition to further Protection.

\* In December, 1884, Lord Walsingham, in reply to a circular of Lord Rosebery requesting the opinions of the peers as to the reform of the House of Lords, indicated a protective measure as the reform really needed, for "if peers, who are for the most part landowners, were not forced by one-sided Free Trade to let their London houses and live in the country, the attendance in the House of Lords would be greatly increased." This shows a landlord's opinion as to which class it is that reaps the benefit of agricultural protective duties and ought to do so. A later expression of the same view occurs in a speech delivered at a demonstration of "The National Association for the Preservation of Agriculture and our other Industries" in St. James's Hall on the 8th December, 1887. Mr. Poynter, Chairman of the Association, speaking of food, said: "The so-called cheapness had only been brought about by the appropriation of a large part of the landlords' property."

friend of Pitt, framed not merely upon abstract economic principles, but upon the teaching of recent experience. It was a prophecy of consequences which inevitably ensued.

1815.

PROTEST SUBSCRIBED BY TEN PEERS, ENTERED IN THE JOURNALS OF THE HOUSE OF LORDS, AGAINST THE CORN LAW OF 1815.

“DISSENTIENT I.—Because we are adverse in principle to all new restraints on commerce. We think it is certain that public prosperity is best promoted by leaving uncontrolled the free current of national industry, and we wish rather, by well-considered steps, to bring back our commercial legislation to the straight and simple line of wisdom, than to increase the deviation by subjecting additional and extensive branches of the public interest to fresh systems of artificial and injurious restrictions.

“II.—Because we think that the great practical rule of leaving all commerce unfettered applies *more peculiarly*, and on still stronger grounds of justice as well as policy, to the Corn Trade than to any other. Irresistible, indeed, must be that necessity which could, in our judgment, authorise the Legislature to tamper with the sustenance of the people, and to impede the free purchase of that article on which depends the existence of so large a portion of the community.

“III.—Because we think that the expectations of ultimate benefit from this measure are founded on a delusive theory. We cannot persuade ourselves that this law will ever contribute to produce plenty, cheapness, or steadiness of price. So long as it operates at all, its effect must be the opposite of these. *Monopoly is the parent of scarcity, of dearness, and of uncertainty.* To cut off any of the sources of supply can only tend to lessen its abundance; to close against ourselves the cheapest market for any commodity must enhance the price at which we purchase it; and to confine the consumer of corn to the produce of his own country is to refuse to ourselves the benefit of that provision which Providence itself has made for equalising to man the varieties of climate and of seasons.

“IV.—But whatever may be the future consequences

of this law at some distant and uncertain period, we see with pain that these hopes must be purchased at the expense of a great and present evil. To compel the consumer to purchase corn dearer at home than it might be imported from abroad is the immediate practical effect of this law. In this way alone can it operate. Its present protection, its promised extension of agriculture, must result (if at all) from the profits which it creates by keeping up the price of corn to an artificial level. These future benefits are the consequences expected, but, as we believe, erroneously expected, from giving a bounty to the grower of corn by a tax levied on its consumer.

The Corn  
Law of  
1815.

“ V.—Because we think the adoption of any permanent law for such a purpose required the fullest and most laborious investigation. Nor would it have been sufficient for our satisfaction could we have been convinced of the general policy of a hazardous experiment. A still further inquiry would have been necessary to persuade us that the present moment is fit for its adoption. In such an inquiry we must have had the means of satisfying ourselves what its immediate operation will be, as connected with the various pressing circumstances of public difficulty and distress with which the country is surrounded; with the state of our circulation and currency, of our agriculture and manufactures, of our internal and *external* commerce, and, above all, with the condition and reward of the industrious and labouring classes of our community.

“ On all these particulars, as they respect this question, we think that Parliament is almost wholly uninformed; on all we see reason for the utmost anxiety and alarm from the operation of this law.

“ Lastly, Because if we could approve of the principle and purpose of this law we think that no sufficient foundation has been laid for its details. The evidence before us, unsatisfactory and imperfect as it is, seems to us rather to disprove than to support the propriety of the high price adopted as the standard of importation, and the fallacious mode by which that price is to be ascertained. And on all these grounds we are anxious to record our dissent from a measure so precipitate in its course, and, as we fear, so injurious in its consequences.”

1815-1822.

“To this Bill,” wrote Earl Fitzwilliam, twenty-five years later, in his address to the Landowners of England, “I gave my assent, and of all the important questions upon which I voted in the course of the twenty-five years during which, with one short interval, I have sat in Parliament, it is the only one upon which I regret the part I took. I am and have been for years satisfied that that measure was founded on the most erroneous principles, and that it has been attended by the most disastrous consequences. In this place allow me to draw your attention to the effects which it produced upon poor Tenants. Relying upon the wisdom and power of the Legislature, they were induced by it to expect prices for their produce which the law and the proceedings that led to its enactment held out to them by Act of Parliament. If prices rose to an extravagant height, as they did in 1817, in consequence of the deficient harvest of 1816, the expectations of the Farmers and Land Valuers rose still higher; while, on the other hand, if they fell below the Parliamentary standard, the fall was attributed to some accidental and transient cause, and was disregarded in fixing Rents, both by the Landlord, the Valuer, and the Tenant.”

Hopes  
of the  
Farmers.

The Act was, however, passed amidst the general congratulations of the Farmers. The bidding for farms grew brisk: Rents shot up. Inferior land was reclaimed at vast expenditure of Tenants' capitals, and the productiveness of soil already in cultivation was stimulated, though with necessarily decreasing returns. The impetus thus artificially applied to corn-growing worked its natural results. In view of the abundance of wheat in the market, it was impossible to maintain it at the promised price of 80s. a quarter. The year after the passing of the Act and before the effects of the Farmers' internecine competition had fully disclosed themselves, it reached an average of 78s. 6d. The harvest of 1817 was extraordinarily deficient. The average price of wheat in the last two years of scarcity, 1812 and 1813, had been 126s. 6d. and 109s. 9d. a quarter; yet in 1817 it only reached 96s. 11d. a quarter, though for a short time in the spring of that year it rose to what Lord Fitzwilliam justly called “the extravagant price” of 120s. a

quarter. After 1817 prices gradually fell, and it is important to observe that *from 1819 to the present day the average price of wheat has never reached even that minimum which the Legislature promised to the Farmer in the Corn Law of 1815.* Nevertheless, the Farmers were still hopeful. They paid their exorbitant Rents and continued their expenditure of capital. Yet year by year prices continued to sink. The efforts of the Farmers to make up in quantity what they lost in price, only recoiled upon themselves, until in the year 1822, without having been exposed to foreign competition, they had brought wheat down to the price of 44s. 7d. a quarter. In the winter of 1821-22 wheat had actually sold at less than 40s. a quarter.\* “The consequences of this state of things,” says Lord Fitzwilliam,† “cannot have escaped recollection. Great difficulties had been felt by the agricultural interest in 1814, 1815, and 1816, but the difficulties of all former years were surpassed by the distress of the winter of 1821-22. The insolvency of Tenants at this period was unparalleled in the history of the agricultural classes; and the inefficiency of the Act of 1815 was so universally acknowledged that an alteration in the law was made in the Session of 1822; but the alteration being contingent on circumstances which never occurred, no permanent or practical change took place till the year 1828. During the whole period, therefore, from 1815 to 1828, the prohibitory system of 1815 was in virtual operation. Year after year the Farmer was deluded by fallacious hopes, excited by the law itself. His Rent was paid out of his capital and not out of his profits, till that capital became insufficient for the proper cultivation of the land.”

Lord Fitzwilliam, though, as a Landowner, at least a disinterested witness, was an avowed opponent of the Corn Laws. To obtain, therefore, unquestionable testimony of the effect of the Act of 1815, it is better to turn to the evidence given by Farmers themselves still clinging to Protection before a Protectionist Committee of the House of Commons in 1821.

Among the Parliamentary papers for 1822 occurs a

The hopes  
of the  
Farmers  
disap-  
pointed.

Unexampled  
distress of  
the Farmers.

\* See Preface to the fifth edition, pp. xxvii, xxviii.

† First Address to the Landowners of England, 1839.

1821. Par-  
liamentary  
Inquiry  
into the  
Farmers'  
distress.

“List of Petitions which have been presented to the House of Commons in the years 1820, 1821, and 1822 (up to March, 1822), complaining of agricultural distress.” There were :—

In 1820... ..	159	} Petitions from Towns, Districts, Counties, &c.
In 1821... ..	187	
And in the first three months of 1822 ...	129	
Total ... ..	475	

The petitions for 1822 show an increase of 175 per cent. over those for the previous year, and although it by no means follows that this is to be taken as a gauge of the growth of the distress, it indicates at least that the evidence given in the early part of 1821 does not measure the full height of the crisis. Yet that evidence draws a forcible picture of the Farmers' calamities. “Are you of opinion that Farmers in general, in your knowledge, have incurred a great loss of capital?”—“I have no question of it: a friend and neighbour of mine had occasion to newly arrange some estates, and new-let them. Two years since, on the death of his father, the Tenants got upon the estate—some, I am sorry to say, partly upon a borrowed capital. If a Distress was taken now (they cannot pay Rent, and I believe they will not be able the next Rent day), I am convinced those persons would be annihilated, inasmuch as they would have no capital left.”\*—“Within your knowledge, confining yourself to the county of Sussex, do you believe that the capital of the Farmer has decreased?”—“I can speak positively to my own capital being very considerably decreased; and I have every reason to believe it is so generally throughout the county.”—“If these unfortunate times should continue, what must be the case with respect to the Farmer and his productions?”—“My opinion is that those who commenced farming within the last ten years with little capital must all give up their farms.”†

Evidence of  
Farmers  
before the  
Parlia-  
mentary  
Committee.

Exhausted  
Capital.

Intolerable  
Rates.

“Is it not very difficult to collect Rates, from the poverty of the Farmers?”—“Excessively so: Warrants of Distress have never been issued without the greatest

\* Mr. William Henning, Farmer, of Ilminster, Somersetshire.  
Mr. John Ellman, Farmer, of Glynde, Sussex.



pains, by the parish officers and magistrates, to collect the Rates without them.”\*

“Are there many persons leaving their farms in consequence of distress in your neighbourhood? and what is the extent of the distress?”—“I believe it is only the hope of some relief being granted that at this time prevents hundreds from leaving their farms. A Farmer of forty years’ standing has lately been distressed for Rent; another is now upon the parish who, but a little while ago, was worth £2,000, and hundreds with large families are on the very brink of ruin, and are obliged to mortgage the next crop of corn before they can gather in the same. The labourers are unemployed, the tradesmen are applying to the parish for relief, the shopkeepers and manufacturers in large towns are without customers, except on credit.”†

“At what period do you think your losses commenced?”—“I think from the year 1814.”—“Down to the present time?”—“Yes.”—“Can you at all estimate what your aggregate loss has been during that time altogether?”—“I think in the year 1813 I could have retired with £10,000 or £12,000, and now I should think not more than half the sum, at least not more than two-thirds.”‡

“Farming is a most ruinous business. In my statement it appears that the Farmer is minus in the cultivation of 100 acres of arable land, at the present prices, £137 2s. 6d., or per acre per annum £1 7s. 5d. Since 1813 we have mostly been declining in circumstances. With respect to *the existing Corn Law*, the more I contemplate it the more I consider it a mere phantom, and *quite incompetent to afford any effectual relief to British agriculture*. It having been demonstrated to the Committees of the Lords and Commons that an average of 80s. per quarter for wheat was requisite to remunerate the British grower, it was, no doubt, the intention of the Legislature to grant Protection to that extent, though in its operation it will have no such effect. As the present law opens the British market to foreign grain for at least

General rural distress.

Estimates of Farmers’ losses.

The Corn Law of 1815 discovered to be a delusion.

\* Mr. Thomas Barton, Clerk to the Magistrates, Battle, Sussex.

† Mr. Job Lousley, Farmer, of Blewberry, Berks.

‡ Mr. William Hott, Farmer, of Abbey Milton, Dorsetshire.

1821.

six weeks, where the prices attain 80s. per quarter for wheat, 27s. for oats, 53s. for beans, and 40s. for barley, at the opening of the ports there is generally such an influx of foreign grain that wheat will speedily fall from 20s. to 30s. per quarter, and other grain in proportion. It is, therefore, sufficiently evident that *nothing but total prohibition, or a duty equivalent thereto, can re-establish confidence.*"\*

"Are the present Corn Laws of any use to the Farmer?"—"Certainly they are not: they are *insufficient and ineffectual*, and were so from the beginning."†

Causes of  
the distress.

Such being the condition to which the Farmers were reduced, the evidence further shows how the Corn Laws operated to bring about this state of things. "What has the Rent of your farm increased from the year 1792?"—"The farm was let upon lease for twenty-one years, from Michaelmas, 1790, which ended in 1811. It was increased in 1811 from £680 per annum to £1,200"—*i.e.*, an increase of 76 per cent.—"When was the first abatement in rent?"—"The first abatement, to the best of my recollection, was in 1815. Three years after I took a fresh lease."—"To what amount was that?"—"£200 a year, reducing it to £1,000, the rent I now pay."‡ The total rise, therefore, between 1790 and 1815, after the depression had begun, was 47 per cent.

Rents.

"How long have you occupied this farm?"—"From the year 1796."—"Was it upon a lease?"—"Yes."—"For how many years!"—"The first was fifteen."—"From 1796 to 1811?"—"Yes."—"At what Rent?"—"£300 a year."—"At the expiration of the lease in 1811 did you take a fresh lease?"—"Yes."—"For what term?"—"Eleven years."—"At what rent?"—"£500 a year"—*i.e.*, at an increase of 66 per cent.§—"With regard to the payment of Rent at the last Michaelmas, when Rents are generally due in Kent, do you believe that any Farmers have paid that rent out of profit?"—"I do not know an instance where they have."—"Do you conceive the Tenantry in the county of Kent at this moment are in a state of solvency?"—"I think it very doubtful."||

\* Mr. William Stickney, Farmer, of Holderness, East Yorks.

† Mr. G. Webb Hall, Farmer, of Sneed Park, Gloucestershire.

‡ Mr. John Ellman, *suprà*.

§ Mr. S. Capper, Farmer, of Pottorn Manor, Wilts.

|| Mr. John Lake, Farmer, of Bapchild, near Sittingbourne, Kent.

“Have the Farmers on the arable farms paid their Rents from the profits of their farms, or from their capital?”—“I have had the remark made by many most respectable Tenants that they are paying their rents out of their capital at the present moment.”—“Do you see any chance of the condition of the Farmer being bettered?”—“Not unless the price of corn can be advanced.”—“Can you point out any other means?”—“A reduction of his Rent and other outgoings.”—“Have you the means of stating whether the Rents have increased very much within the last thirty years?”—“From 1796 to the present time they have increased double, or more.”—“*Upon what calculation did you fix the Rent?*”—“*The average of wheat at 10s. a bushel. . . .* I have heard of particular cases where Landlords have asked more than the valuations, and I have heard of others putting them up to auction and very high Rents obtained.”\*

1815-22.  
Evidence at  
the Parlia-  
mentary  
Inquiry.

“What has been the increase of Rents from 1797 to 1813?”—“I think they are trebled.”—“In what proportion do you suppose the charges of cultivation increased?”—“I am inclined to think the charges increased with the Rent.” †

No doubt part of this rise was a rise upon the Tenant's own improvements certain to be imposed in a time of factitious competition. Of this, too, we have direct evidence. “To what extent have the Rents been raised during the period of the high prices?”—“I think considerably more than double; certainly more than double.”—“Has there been any considerable outlay of capital to produce this rise of Rent?” “Yes; undoubtedly there has.”—“Has not a considerable proportion of those advances of capital been made by the Tenants?”—“Yes; a very great deal of that has been laid out by the Tenants; no doubt of it.”—“More than by the Landlord, do you conceive, with enclosures, draining, and so on?”—“I should think it had. I should think so, certainly.” ‡

The guarantees of the Legislature were thus successful

\* Mr. William Custance, of London, Receiver of Rents.

† Mr. E. Wakefield, of Essex, Land Valuer.

‡ Mr. John Iveson, Land Agent.

1815-22.  
Evidence of  
Farmers at  
the Parlia-  
mentary  
Inquiry.

in stimulating Rents, but were impotent to maintain prices. The difference between expected prices and prices realised was thus, as in 1814, a measure of the Farmer's loss, though not, as will be seen, of his whole loss. "Do the present prices at which corn is selling (wheat 56s. 1d., barley 26s., oats 19s. 6d.) remunerate the Farmer for the expense of tillage, Poor Rates, and Rent?"—"I am certain they do not, in our neighbourhood, in the county of Sussex."—"Do you attribute the whole fall in the price of corn to the increased supply of corn or the decreased consumption?"—"It must be principally from the increased supply at market." \*

Fall of  
prices of  
corn  
through  
competition  
among  
Farmers  
themselves.

"Since 1814 all produce has been at a high price. How do you account for having sustained losses when the produce was at a high price?"—"Since 1814 it has only been a short time at a high price, or a remunerating price; not during the whole time."—"At what price should wheat be to remunerate you in a proper way for growing it?"—"I think at 96s. a quarter." † Another witness says: "There is a depreciation in the average of all agricultural produce of nearly 31 per cent., and in those which the Farmer has most to depend upon of 40 per cent.; while the Poor Rate is advanced 82 per cent. and the Taxes 75 per cent., the price of labour is reduced only 12½ per cent." ‡

Fall of  
prices of  
meat  
through  
distress of  
manufac-  
turing  
districts.

So far as meat was concerned, the decline in prices was due to the paralysis of trade and manufactures which was a common feature of the Protectionist system. Mr. Thomas Attwood, of Birmingham, put in a statement showing the decreased consumption of meat in the large towns of the Midlands in the years 1818-20.

Birmingham	decreased consumption	$\frac{2}{5}$	beef and	$\frac{1}{5}$	mutton.
Leeds	" "	$\frac{1}{8}$	" "	$\frac{1}{8}$	" "
Sheffield	" "	$\frac{1}{5}$	" "	$\frac{1}{8}$	" "
Walsall	" "	$\frac{1}{5}$	" "	$\frac{1}{8}$	" "
Dudley	" "	$\frac{1}{8}$	" slight	" "	" "

"I think," added the witness, "these returns are calculated to show the distress of the manufacturing

\* Mr. John Ellman, *suprà*.

† Mr. W. Ilott, *suprà*.

‡ Mr. R. C. Harvey, Farmer, of Alburgh, Norfolk.

1815-22.

districts, and the effect which the diminution of consumption in those districts must necessarily have on the sales and prosperity of the agricultural classes." To this cause of slackness is to be added the fact that, as the evidence shows, the Farmers were rapidly diminishing their stock of cattle under the pressure, and were thus overdoing the markets. Since the Farmers were crushed by their Rents, and unaided by remunerative prices, it was not to be wondered at that those in dependence upon them sank into destitution. The Poor Rates increased notably—an increase, it is only fair to recognise, due in part to the injudicious encouragement to population afforded by the old Poor Law. "From your observation among the working classes, is their situation better or worse?"—"I consider the labourers employed in agriculture to be considerably worse off than they were five or ten years ago."\*

Increasing destitution of labouring classes.

"To what cause do you attribute the labourers being much out of employment?"—"The principal cause is the inability of the Farmers to pay them their wages."†—"Can you give any reason for the number of persons thrown out of employ?"—"Certainly; the inability of the Farmers to pay them. I could in three or four days bring forward a thousand able-bodied labourers who have no employment."‡

"Can you state to the Committee whether your Poor Rates are in general high in your part of the county?"—"The Poor Rates probably have in the last twenty-five years increased in a threefold degree."§—"In the year 1819 the Poor Rates were increased enormously, at least one-third; and it may be remarked that the decrease in the year 1820 in not any favourable symptom, as there would most likely have been a greater number out of employ than ever, had not the farmers agreed to take each a share of the unemployed men and pay them out of their own pockets; and in dividing them it amounted to about one man to every fifty acres, who are a most heavy burden on their hands. In the year 1818 I

Enormous rise of Poor Rates.

\* Mr. John Ellman, *suprà*.† Mr. S. Capper, *suprà*.‡ Mr. T. Barton, *suprà*.

§ Mr. Thomas Orton, Farmer, of March, in the Isle of Ely.

Evidence at  
the Parlia-  
mentary  
Inquiry of  
1821-22.

occupied about 200 acres of land at Hagbourne, and although I employed my usual number of labourers and paid them in full, yet my Poor Rates in that year amounted to the enormous sum of £121, or 12s. an acre.\* Mr. Harvey was obliged to employ fifty labourers on a farm of 1,400 acres, "to keep them off the parish."

Mr. William Ilott put in evidence a statement of Poor Rates in the parish of Dowlesh, Dorsetshire, from 1814 to 1820 (shillings and pence omitted):—

1814—15	...	...	£232	} increase, 97 per cent.
1815—16	...	...	318	
1816—17	...	...	307	
1817—18	...	...	423	
1818—19	...	...	324	
1819—20	...	...	457	

A statement was put in by the Chairman of the Committee, which presents an almost incredible picture of agricultural pauperism. It was an extract from a Report of a Committee of the Guardians of the poor, for forty-four Parishes within the Hundred of Blything, Suffolk, showing the amount paid for able workmen unemployed (shillings and pence omitted).

From Easter 1814 to Easter 1815	£5.
" " 1815 " 1816	1,384, increase 27,680 per cent.
" " 1816 " 1817	2,704, increase 95 per cent.

The growth  
of agricul-  
tural  
distress  
increased  
with the  
Corn Law  
of 1815.

These were years of comparatively cheap corn, when the Farmers were therefore in straits. Yet the extraordinary increase between Easter, 1815, and Easter, 1816, seems to point to some new disposition of the returns. This does not, however, appear in the witness's evidence. "Will you be so good as to account for the very great increase?"—"Because of the increase in the number of persons thrown out of employment."—"Were they agricultural labourers or otherwise?"—"Entirely agricultural."—"Do you happen to know whether the result was the same in the parishes adjoining?"—"I believe they increased in a much greater proportion, because I believe that the poor are much better managed in these

\* Mr. J. Lousley, *suprà*.

incorporated Hundreds than they are in the neighbouring Hundreds, where they are not incorporated.”—At the end of March, 1816, Mr. Brand declared in Parliament of the agricultural population that “the poor, in many cases, abandoned their own residences. Whole parishes had been deserted, and the crowd of paupers, increasing in numbers as they went from parish to parish, spread wider and wider this awful desolation.” “In Suffolk nightly fires of incendiaries began to blaze in every district, threshing machines were broken or burnt in open day; mills were attacked. At Brandon, near Bury, large bodies of labourers assembled to prescribe a maximum price of grain and meat, and to pull down the houses of butchers and bakers. They bore flags with the motto, ‘Bread or blood.’ At Bury and at Norwich disturbances of a similar nature were quickly repressed. But the most serious demonstration of the spirit of the peasantry arose in what is called the Isle of Ely. . . . Early in the Session Mr. Western described the agricultural distress of this district as exceeding that of most other parts of the kingdom. Executions upon the property of the cultivators, distresses for Rent, insolvencies, farms untenanted, were the symptoms of this remarkable depression. . . . In the Fen countries the temptation of immediate profit had more than commonly led the Farmer to raise exhausting crops. . . . The high prices of wheat from 1810 to 1814 had supplied this temptation.”\*

1816.  
Wholesale  
rural  
pauperism.  
Riots. In-  
cendiarism.

No resources could withstand such a congeries of burdens, and as the Farmers suffered, their land fell back. “From your long experience are you of opinion that the agriculture of the country has advanced or deteriorated within the last three years?”—“I conceive it to be very considerably deteriorated.”†

Retrospec-  
tion of  
agriculture.

Mr. Rodwell, a Farmer and Land Agent in Suffolk, said “there was not then one-tenth part of the beasts fattening upon corn and oilcake there had been a few years before.” Mr. Harvey‡ spoke of reductions of stock, growing less turnips, and much double-cropping. Farmers were

\* Martineau's “History of the Peace,” Book I., ch. iv.

† Mr. J. Ellman, *suprà*.

‡ *Suprà*.

catching at a straw, and desirous of getting all they could in a year.

A Farmer's Balance Sheet under Protection. Mr. Lake\* handed in an account, a specimen, it is to be feared, of the balance-sheets of most Farmers during these years.

“Losses sustained on three Holdings of Land, the principal part of arable; all in most excellent condition, and carried on with the greatest economy, and without even a riding horse on either.”

	Acres.	Rents.	Loss.				
			£	s.	d.		
No. 1. A great part Tithe free	1819	500	1,130	242	16	8	
The same...	1820	—	—	769	16	4	
No. 2. All liable to Tithe	1819	126	150	79	0	0	
The same...	1820	—	—	302	9	10½	
No. 3. About ¾ths Tithe free...	1819	350	508	186	15	0	
The same...	1820	—	—	414	12	5	
			976	1,788	1,995	10	3½
			£1,788				
			2				
Rent paid ...			£3,576				
—Loss			1,995	10			3½

Report of  
the Select  
Committee  
of 1821-22.

The Report of the Select Committee which received this impressive evidence, so confirmatory of the experience of the years prior to 1814, and so illustrative of the anticipations of Lord Grenville and the Free Traders, showed that the belief as to the advantages of Protection with which they had entered upon the inquiry, had sustained a complete shock. They saw that the total prohibition advocated by some of the witnesses as the sole remedy was impossible in an overflowing population. Stringent Protection had served but to bring ruin upon the Farmers, who yet were unprepared to welcome a relaxation. The Committee, therefore, were unable to recommend any specific remedy, but they embodied in their Report some observations which are noteworthy as being the earliest symptoms of conversion to Free Trade in Corn of an influential section of the House of Commons.

“It is with deep regret that your Committee have to commence their Report by stating that, in their judgment, the complaints of the petitioners are founded in fact, in so far as they represent that, at the present price of corn,

\* *Suprà.*



the returns to the occupier of an arable farm, after allowing for the interest of his investment, are by no means adequate to the charges and outgoings; of which *a considerable proportion can be paid only out of the capitals, and not from the profits, of the Tenantry.*

Farm Rents paid out of capital.

“This pressure upon the Farmer is stated by some of the witnesses to have materially affected the retail business of shopkeepers in country towns connected with the agricultural districts. . . .

“The opinion of your Committee, in respect to the present pressure upon the Tenantry, is formed upon the best documentary evidence which the nature of the case admits of, confirmed by the testimony of many respectable witnesses, as well occupiers of land as surveyors and land agents; and it is further strengthened by a comparison of the difference between the existing price and the average price of the last ten years, the period within which most of the present engagements, affecting the Tenant of the soil, may be supposed to have been contracted. If the present price could, under all the present circumstances, be remunerative, the average price of that period must have afforded an excessive profit, which does not appear probable, nor warranted by facts.

“It is no more than an act of justice to the Tenantry of Great Britain to state that, so far as your Committee have been able to ascertain, *the Rents*, with some exceptions in particular districts, *have hitherto been collected*, without more arrear than has occurred on several former occasions. *This punctuality*, whilst it is highly honourable to the character of the Tenantry, *affords* (your Committee trust) *a ground of hope that the great body of the occupiers of the soil, either from the savings of more prosperous times, or from that credit which punctuality will generally command in this country, possess resources which will enable them to surmount the difficulties under which they now labour.*

“The ruinously low prices of agricultural produce at this moment cannot be ascribed to any deficiency in the protecting power of the law. *Protection cannot be carried further than monopoly.* This monopoly the British grower has enjoyed for the produce of the two last harvests; the ports (with the exception of the ill-timed

Did monopoly benefit the Farmer?

and unnecessary importation of oats during six weeks of the last summer) having been uninterruptedly shut against all foreign import for nearly thirty months.

“Your Committee may entertain a doubt (a doubt however, which they wish to state with that diffidence which a subject so extensive naturally imposes upon their judgment) whether the only solid foundation of the flourishing state of agriculture is not laid in abstaining, as much as possible, from interference, either by Protection or Prohibition, with the application of capital in any branch of industry? Whether all fears for the decline of agriculture, either from temporary vicissitudes to which all speculations are liable, or from the extension of other pursuits of general industry, are not, to a great extent, imaginary? Whether commerce can expand, manufactures thrive, and great public works be undertaken without furnishing to the skill and labour which the capitals they employ put in motion, increased means of paying for the production of the land? Whether the principal part of those productions which contribute to the gratification of the wants and desires of the different classes of the community must not necessarily be drawn from our own soil, the demand increasing with the population, as the population must increase with the riches of the country? Whether a great part of the same capital which is employed in supporting the industry connected with manufactures, commerce, and public works, does not, passing by a very rapid course into the hands of the occupier of the soil, serve also as a capital for the encouragement of agriculture? Whether in our own country in former times, and in other naturally fertile countries up to the present time, agriculture has not languished from the want of such a stimulus? and whether, in these countries, the proprietors of land are not themselves poor and the people wretched in proportion as, from want of capital, their labour is more exclusively confined to raising from their own soil the means of their own scanty subsistence?

“If these questions should be answered in the affirmative, it follows that the present solidity and future improvement of our national wealth depend on the con-

tinuance of that union by which our agricultural prosperity is so closely connected with the preserving of our manufacturing and commercial greatness."

The Committee concludes its Report by expressing its regret at being unable to point to specific remedial measures, especially in the direction of further Protection.

The public, who had not studied the evidence, and the mass of the Farmers, who were unable to interpret its teaching, showed no disposition to concur with the unpopular doctrines of the Select Committee. Yet, as some change was necessary, a statute was passed in 1822 reducing the limit of prices at which importations could take place to 70s. for wheat, 35s. for barley, 25s. for oats. Behind this ostensible relaxation, however, ranged a new scale of import duties, by which foreign grain was subject to heavy three-month duties up to a price of 85s., to a duty of 17s. when wheat was at 70s., of 12s. when between 70s. and 80s., and of 10s. when at 85s. It happened that prices continued too low for this measure to come into operation, but its enactment is an indication how little had been learned by agriculturists from the trials of the preceding years.

Save the general abatement of Rents, which were swallowing up the whole produce of the land, no change took place for many years after the inquiry of 1821-22 to improve the condition of the Farmers. They were existing on the sufferance of their Landlords. So far from being maintained at the expected 80s. a quarter, wheat averaged for the ten years 1820-29 58s. 5d. per quarter;\* yet there were violent and ruinous fluctuations. Thus the competition stimulated by promised high prices doubled the supply of wheat, and in 1822 the fall of price since 1817 was 54 per cent. Seven years later a rise of 53 per cent. occurred, to be followed in 1835 by a fall of 41 per cent., succeeded again in three years by a rise of 64 per cent. These fluctuations were, of course,

Continued  
distress of  
Farmers.  
Violent  
fluctuations  
in the price  
of wheat.

\* The disproportion between the average prices experienced in the two divisions of time (1811-21 and 1821-31) was not so great in reality as in appearance, owing to the depreciation of the currency in the former decade; but still, when full allowance has been made for this consideration, it will be found that the fall of price was nearly 25 per cent.

in reciprocal relation to the extensions and contractions of the wheat area, alternating according to the hopes or apprehensions of the Farmer. The sliding scale enacted in 1829 only served to accentuate these movements, and to the uncertainty of an industry necessarily dependent upon the seasons were added the oscillations of the Exchange. By the Corn Law of 1829 64s. took the place of 80s., the price guaranteed by the Legislature in 1815. Below 64s. a prohibitory duty of 23s. 8d. was imposed; between 64s. and 69s. this was reduced to 16s. 8d.; and when the price exceeded 73s. the import duty was the nominal sum of 1s. a quarter. The effect of this was, of course, to convert the Farmer's trade into a rampant speculation; and at the moment when the rise of prices was about to reward him for the penury of years an influx of foreign wheat would lower the value of his crops 25 per cent.

Under these circumstances it is not surprising that agricultural distress seemed a permanent condition of things. In 1827, in a single newspaper published at Norwich there were 120 advertisements of sales of farming stock in one day. The distress of the country was referred to in the Speech from the Throne in 1830, and in the autumn of that year alarming riots broke out in the agricultural districts, which were, in fact, occasioned by the abuses of the Poor Law, and aggravated by general high prices and universally inadequate wages. Landowners themselves were suffering, being obliged by their Tenants' insolvency to abate their excessive Rents by 20, 30, or 40 per cent., and yet then, in many districts, they had large tracts of country on their hands. Since all the conditions productive of distress continued their virulent operation, Rents, despite abatements, being maintained at their artificial level, and Poor Rates mounting to an appalling height, as time went on the state of the Farmers grew worse. In 1832 the Poor Rates in the following agricultural counties, *levied on each head* of the population, were as under:—

	s.	d.		s.	d.
Berkshire ...	16	8	Kent ...	15	2
Dorsetshire ...	11	7	Sussex ...	20	11
Essex ...	17	6	Wiltshire ...	16	7

The Corn  
Law of  
1829.

1827-30.  
Acute agri-  
cultural  
distress.

The burden  
of the  
Poor Rate.  
1822-33.

The burden upon the Farmers must therefore have been infinitely greater. In the manufacturing counties of Lancashire and Yorkshire (West Riding), Cornwall, Derbyshire, Nottinghamshire, and Staffordshire, on the other hand, Poor Rates varied from 4s. 8d. to 6s. 10d. per head only. The average payment for the whole population was 9s. 11½d. per head. The pauperism of those labourers who were fortunate enough to find employment as contrasted with the wealth conferred upon the Landlords by the Corn Laws was well sketched in a broadside circulated in 1826, but not less true in 1832.

“THE REAL CAUSE OF THE DISTRESSED CONDITION OF ALL CLASSES—A FEW PLAIN QUESTIONS TO A LANDOWNER.

How many acres does your estate consist of?—10,000.

What was it let for forty years ago (1786)?—10s. per acre, or £5,000.

How much do you receive now (1826)?—30s. per acre, or £15,000.

How many farms have you upon it?—Fifty.

How many labourers do they employ?—About 500.

What was the price of wheat forty years ago (1786)?—4s. a bushel.

What is the price of wheat now (1826)?—8s. per bushel.

What was the price of labour in 1786?—8s. a week.

What is the price of labour now (1826)?—8s.; the same.

Then the labourers lose by the present system one bushel of wheat per week?—Yes; they do.

What is the loss to the labourer in money now the bushel of wheat is 8s.?—£20 16s. a year each.

Then the 500 labourers employed on your estate lose £200 a week?—Yes.

And their loss yearly amounts to £10,400?—Exactly so.

And the shopkeepers in the neighbourhood lose customers to the same amount?—Yes.

And the wholesale traders who supply the shopkeepers lose in the same proportion?—They do.

And the manufacturers also are deprived of a market for their goods in the same ratio?—Certainly they are.

Continued  
distress of  
Farmers.  
Another  
Parliamentary  
inquiry.

Then all classes must be in distress in consequence?—  
Most assuredly, in great distress.”

In 1833, the Speech from the Throne having again specified the distress of agriculture, it was determined once more to resort to Parliament for a remedy, and a Select Committee was appointed to inquire into the subject.

Report of  
the Select  
Committee  
on Agricultural  
Distress, 1833.

The Report of this Committee is especially instructive, both because it reviews the fortunes of the Farmers since the investigation of 1822, and, as was the case with the Committee of that year, is unable to prescribe a cure. It shows that during the intervening period of thirteen years agricultural distress had been deepening. The Report runs as follows:—

REPORT OF THE SELECT COMMITTEE OF THE HOUSE OF  
COMMONS APPOINTED TO INQUIRE INTO THE STATE  
OF AGRICULTURE, 1833.

“On looking back at the report of the Committee in 1821, to whom the Petitions complaining of the depressed state of agriculture of the United Kingdom were referred, it will be found that the Report commences by stating that the complaints of the Petitioners are founded in fact, in so far as they represent that *at the present price of corn* the returns to the occupier of an arable farm, after allowing for the interest of his investment, are by no means adequate to the charges and outgoings, of which a considerable proportion can be paid only out of the capitals and not out of the profits of the Tenantry. The average price of wheat for the year 1821 was 54s. 5d. per quarter. The average price of the present year is 53s. 1d., and although some of the charges connected with general taxation have been reduced since 1821, yet the local burthens, such as Poor Rate and County Rate, have in most parts of England been grievously augmented. The Committee of 1821 arrived at the conclusion ‘that the returns of farming capital were at that time considerably below the ordinary rate of profit,’ and no evidence adduced before your Committee of diminished outgoings, contrasted with the change of prices in the interval, would warrant, at this moment a different conclusion.

“The Committee of 1821 express a hope ‘that the great body of the occupiers of the soil, either from the savings of more prosperous times, or from the credit which punctuality commands in this country, possess resources which will enable them to surmount the difficulties under which they now labour.’ Your Committee, with deep regret, are bound rather to express a fear that the difficulties alone remain unchanged, but that the savings are either gone or greatly exhausted, the credit failing, and the *resources* being *generally exhausted*. The Committee of 1821 assumed what they believed to be then true, that ‘the annual produce of corn, the growth of the United Kingdom, was upon an average crop about equal to the annual consumption.’ Your Committee have formed a decided opinion that the produce of Great Britain is, in the average of years, unequal to the consumption, that the increased supply from Ireland does not cover the deficiency, and that, in the present state of agriculture, the United Kingdom is in years of ordinary production partly dependent on the supply of wheat from foreign countries.

“Your Committee have already glanced at the increase of certain outgoings borne by the Farmer, which it is clearly established in evidence have not been compensated by a corresponding reduction of his fixed money payments; on the contrary, while the profitable returns from land have generally decreased, the burthens to which it is subjected have been augmented. The Poor Rate is heavier; the County Rate is heavier; the Highway Rate has increased; and this evidence would lead to the conclusion that the outgoings of the Farmer are generally larger than he can afford to pay during the present prices of agricultural produce, without a sacrifice of the profit on his capital which he is entitled to realise. Your Committee are of opinion that the present reluctance to purchase land, or to take it on lease, is to be ascribed to losses recently sustained in agriculture.

“The present price of Meat, as compared with Corn, is high; but this has been in a great measure attributed to an extensive loss in the flocks of sheep, occasioned by rot, which recently prevailed amongst them for two or three years consecutively.

“In conclusion, your Committee avow their opinion that hopes of amelioration in the condition of the Landed Interest rest rather on the cautious forbearance than on the active interposition of Parliament.”

Such is the picture of the condition of agriculture under the laws which had been specially enacted for its assistance, drawn by a Committee not yet converted, as their Report shows, to the abolition of a system proved so disastrous. Since the inquiry of 1822, the Farmers, it would seem, had been yearly brought nearer ruin. Rents had been maintained at speculative heights, yet prices had fallen despite the restrictions on importation; the Poor Rates had continued to grow, yet the Farmers were obliged to employ an increasing quantity of superfluous labour to keep able-bodied men off the parish; wages were being paid out of capital, and the tradesmen and manufacturers, the Farmers' customers, were being continuously impoverished. These are results described by witnesses not hostile to the Corn Laws, the popular movement against which had not as yet begun. The following extracts from their evidence disclose unmistakably the extent and disaster of the Farmers' ruin:—

EXTRACTS FROM EVIDENCE GIVEN BEFORE THE  
SELECT COMMITTEE  
ON AGRICULTURAL DISTRESS, 1833.

“With respect to the condition of the Farmers, their capital is diminishing, I think considerably, in every part of the country. The Tenant cannot lay out money in improving the land; he has not the means.”\*

“Supposing a Tenant were sold up in Scotland, what proportion of capital would be left, in your opinion?”—  
“Perhaps none. In general a large proportion of his means goes to the Landlord; the remainder is equally divided among his other creditors.”†

“You say that a good many Farmers, if sold up, would have nothing left; do you apply that to prudent Farmers, and well acquainted with their business?”—  
“I apply that to hard-working, honest, industrious men.”

\* 216-17. Mr. Adam Murray, Farmer and Land Agent, of East Lothian.

† 2,886. Mr. T. Oliver, Farmer, of Midlothian.

The  
Farmers'  
distress,  
1822-33.

Exhaustion  
of the  
Farmers'  
resources.



—“Do you speak of Farmers who had an adequate capital to stock the land, at one time?”—“Yes.”\*

“Supposing 100 Farmers to be taken indiscriminately from the district of which you are speaking (Doncaster), and to be sold up, how many of those, do you think, would have anything left?”—“I should think half the smaller Farmers—Tenants renting from 50 to 150 acres—would be insolvent.”†

“You say a large portion of the Farmers are at present insolvent, and that they have been sinking in their condition: what diminution of existing Rents would, in your opinion, put them in the case of living comfortably, with that reasonable profit that you think a Tenant should make?”—“I am of opinion that it must require a great reduction of Rent or much better times, that if there were better times there need not be much reduction.”—“What you mean by ‘better times’ is better prices?”—“Yes; everything seems to stand still.”‡

“I know several Farms where there have been three Tenants who have become paupers.”—“Each going in as a Farmer upon the Farm, and carrying capital in?”—“Yes, sufficient to stock it.”—“Each losing every shilling?”—“Yes, and becoming workers on the road.”—“Did you say that throughout the Weald of Kent and Sussex there is scarcely a solvent Farmer?”—“There is scarcely that description of Farmer.”—“Are you speaking of the men that had once capital to stock their own farms?”—“Yes, well.”§

“Have you made your rent fairly from your land?”—“No. I have not done that upon the average; many years I have lost a great deal of money.”—“It has been a losing occupation?”—“Yes; with many others besides myself, to a very great extent.”||

“What is the general state of the farming interest of the county?”—“I consider that the Farmers are very

\* 7,388-9. Mr. Richard Peyton, Land Agent in Essex, Surrey, Sussex, Kent.

† 3,127. Mr. William Simpson, Farmer and Land Valuer, of Loversall, near Doncaster.

‡ 12,531-2. Mr. William Smith, Farmer, of Swarlston Lows, Derby.

§ 12,778-9. Mr. George Smallpiece, Farmer and Landowner, of Cobham, Surrey.

|| 10,507-8. Mr. J. Hallard, Farmer, of Worcester.

much impoverished, and the labourers are unemployed, except where the Landlords exert themselves to make substantial improvements."

"Has that long been the condition of the Farmer?" — "It has been gradually arising and increasing."

"Do you consider that Farmers generally have lost their capital?" — "Very much so." \*

"The condition of the Farmers—is that better, stationary, or worse?" — "It is not better, and certainly worse than in 1818." †

"Has the capital of the Farmers in the district you speak of been greatly diminished of late years?" — "Yes, greatly diminished."

"Have a great number of them been ruined entirely?" — "A great many." ‡

Similar evidence could be indefinitely multiplied. The witnesses, from whatever part of the country they come, testify to the same state of things, that the condition of the Farmers—to say nothing of the agricultural labourers—has been for years steadily deteriorating. The causes specified as at work to produce this result—all, it must be remembered, subject to the operation of productive restrictions upon importation of food and goods—were manifold. The sum and substance of them, however, was that the outgoings of the Farmer, notably his Rent, were too high, and, despite the promise of the Corn Laws, prices were too low and the demand for his produce too slack. The poverty of the labourers in the agricultural districts, the relief of which fell upon the Farmers' shoulders, was appalling. "The farmers suffer now, you say, with their present Rent?" — "They merely make observations upon it, but those observations apply more to the increased Poor Rates, because in those parts (Sussex) the Poor Rates are exceedingly high—from 15s. to 20s. in the £." — "Do you state that 15s. in the £ is the average Poor Rate of this land in Sussex that you have been speaking of?" — "Perhaps it may not be the average, because we have nineteen parishes there; but I

\* 8,297-8,304. Mr. J. B. Turner, of Leominster, Farmer and Landowner.

† 2,141. Mr. R. Wright, of Norwich, Land Agent.

‡ 6,508-9. Mr. William Taylor, Farmer, of Gillingham, Kent.

should think it would be very nearly that, say from 13s. to 15s. ; certainly in many cases it is 19s. ; there is nothing lower than 11s. I should say the average might be from 13s. to 15s.”—“Upon two-thirds of the Rent?”—“No. In many cases the assessment is higher than the Rent ; and this happens in a great many cases.”—“Has it happened to you to hear that the crimes of poaching, robbery, and so on, have been on the increase in the agricultural districts of late years?”—“Yes, I think that is the case.”—“What do you consider to have been the cause?”—“Want of employment, and want of means on the part of the Farmers to employ them.”\*

“Are there more paupers than there used to be?”—“Yes, a great many more.”†

“Has the custom of giving able-bodied men relief from the Poor Rates grown up within the last three or four years?”—“Very much so.”—“Have you had any fires in your neighbourhood?”—“Yes, in the neighbourhood, but not in the district that I manage.”—“Do you think that the relief which is given out of the Poor Rates, or the wages, which you say are higher than the Farmers can pay, are paid under intimidation, in any degree, or voluntarily?”—“They have been paid under intimidation.”—“Does that observation apply to the payment out of the Rate?”—“Not out of the Rate : the men were paid by the Farmer more money for the same work performed, in consequence of the intimidation arising out of the fear of fires.”—“Has that fear which has extorted this higher payment arisen within the last three years?”—“Yes, since the almost general discontent in the labouring population showed itself.”‡

Desperation of the labourers. Wages extorted by incendiarism.

“If the wages of labour have not fallen to the effective labourer, and the Farmer be forced to maintain the non-effective one by his contribution to the Rate, does not that go far to explain the diminution of his capital and his distress?”—“To a certain degree it may, for while he employs his full portion of labour, he has to contribute to the surplus he does not want.”§

\* 11,869, &c. Mr. E. Driver, Land Agent, Sussex.

† 5,329. Mr. John Neve, Land Agent, of Tenterden, Kent.

‡ 9,542-52. Mr. John Cooper, Land Agent, Pottersbury, Northamptonshire.

§ 935-6. Mr. Richard Webb, Land Agent and Farmer, Wiltshire.

“Are the Poor Rates much increased of late years?”  
—“I think they must have increased, within the last five or six years, one-fourth.”\*

This steady increase of the Poor Rate was not the sole measure of the pressure upon the Farmer of the starving rural population. In the vain endeavour to check this swelling item of expenditure, the Farmers all over the country voluntarily imposed upon themselves “Labour Rates,” by which the able-bodied poor of a parish were distributed amongst them for employment. The effect of this was that the Farmer made work for surplus labour instead of supporting it in absolute idleness, and, after all, since the wages thus paid for an inadequate equivalent were naturally insufficient to sustain life, they were necessarily supplemented from the parochial funds. The employment found by the Farmer was an unremunerative expenditure which every year subtracted from his declining capital. “You do not think that wages have fallen in proportion to the price of produce where labourers are employed?”—“No.”—“Is that state of things likely to continue?”—“It must continue, for there is no remedy: if I do not pay them they must be paid out of the Poor Rates: they must be sustained.”—“Is that not breaking down the capital of the Farmer?”—“Certainly.”†

“Do you think Farmers are paying wages in proportion to the profits they gain?”—“No. I think they are out of proportion to the profits.”—“Do you think they are paying them out of capital?”—“I think they are.”‡  
—“Can Farmers go on paying these wages?”—“They cannot go on; they must be using their property.”—“What will be the end of that?”—“Ruin.”§ On the other hand, it was no less “ruin” if the Farmers refused these so-called wages. The evidence is overwhelming that the Farmer, by these alms, purchased the safety of his family and his property. “You think a further reduction of wages would be inconsistent with the peace of the district?”—“Yes.”||

\* 5,681-2. Mr. John Crampe, Farmer, of Garlinge, Isle of Thanet.

† 2,980. Mr. William Simpson, of Loversall, Doncaster, Farm and Land Valuer.

‡ 5,202-3. Mr. J. Neve, Land Agent, Tenterden, Kent.

§ 6,388-9. Mr. W. Taylor, Farmer, of Gillingham, Kent.

|| 9,907. Mr. C. Osborn, of Havant, Hants.

“To what do you ascribe the rise of wages within the last few years?”—“In several instances in consequence of intimidation. There was a strong recommendation from the magistrates of our county.”—“What was that recommendation in consequence of?”—“In my opinion, from intimidation.”\*

Rise of wages extorted by incen-  
diarism.

“There have been a good many fires in Kent?”—“I know an instance in the county of Kent in which a man reduced the wages of his labourers, and his premises were burnt down in consequence. The wages are kept up in many instances in consequence of intimidation.”†

Even the high prices promised by the Corn Law would have been insufficient to meet such demands as these. But, in point of fact, the operation of the law for protecting the Farmers' interest, passed in 1829, had been no less prejudicial than the measure which it repealed. In 1829 the Farmer had been still unconvinced by the failure of 1815. He had not learned to see the fact lucidly stated by Mr. Oliver, Farmer, of Midlothian, in 1833, that “the Corn Law is the Landlord's matter alone. Where it is settled under an erroneous impression, when the scale is regulated under the expectation that it will secure 70s. a quarter and it realises only 65s., Farmers sustain a heavy loss, and matters are not adjusted, perhaps, until the Tenant has become embarrassed, and has lost part of his capital. It seems a matter of perfect indifference to the Farmer whether he sells at 60s., with a Rent adjusted to that price, or at 120s., with a correspondingly high Rent.”‡

The Corn Law of 1829 led the Farmer to believe that 64s. would be the normal price of wheat. The inevitable consequence was a readjustment of Rent to that price. Unfortunately for the Farmer, prices were beyond the control of the Corn Law. The prices of wheat for ten years after the Act of 1829 were :—

The Corn Law of 1829 a delusion and a snare.

1830.		1831.		1832.		1833.		1834.		1835.		1836.		1837.		1838.		1839.	
s.	d.	s.	d.	s.	d.	s.	d.	s.	d.	s.	d.	s.	d.	s.	d.	s.	d.	s.	d.
64	3	66	4	58	8	52	11	46	2	39	4	48	6	55	10	64	7	70	8

During the first four years the price of corn had

\* 982,6. Mr. R. Webb, Land Agent and Farmer, Wiltshire.

† 7,308-9. Mr. R. Peyton, Land Agent, *supra*.

‡ 2,841.

Protection  
responsible  
for the  
Farmers'  
distress.

exceeded the expected minimum by 3d. in 1830 and 2s. 4d. in 1831, but had fallen below it by 5s. 4d. in 1832 and 11s. 1d. in 1833, and at this latter price was still only at the commencement of its decline. On the first five years, then, taken together, the Farmer had been the loser, by the fall of prices alone, of 13s. for every quarter of corn raised by him. The *excessive height of Rents thus artificially produced* by a law which professed to be for his benefit is testified to by witness after witness as *the main cause of the prevalent insolvency.*

It enhanced  
Rents.

“Do you think there is an understanding in the country that the present Corn Law tends to keep up prices?”—“They did expect in the year 1828-29 it would have that effect.”\*

“The Committee understand you to say that the Farmers generally upon the good land are paying from 10-15 per cent. too high Rent: how is it that there is no distress except among the tenants of bad lands?”—“Those Farmers are enabled to bear that loss, but they cannot support it: they have some capital, and they are paying most of those Rents out of their capital. The small Farmers, and those who are living upon and have poor lands, are in very great distress and unable to pay the Rent at this moment.”†

“If the prices realised permanently remain ranging from 50s. to 54s., and the landlords hold them to their engagements, can the tenants go on without insolvency?”—“I conceive not without a loss of profits or capital, or perhaps insolvency, taking the aggregate of the farms.”‡  
“*Rents have not fallen so fast as prices.*§ “Speaking of the circle round Doncaster, can the Rents now generally paid be maintained if the present prices continue?”—“Certainly not; they are much higher than the present prices.”—“How much higher should you say they are than the present scale for paying Rents?”—“I should think some 20 per cent.”||

“To what extent should you say that Rents were now

\* 2,912. Mr. Oliver, *suprà*.

† 6,232-5. Mr. J. Lee, of Malpas, Cheshire.

‡ 11,435. Mr. D. Low, Professor of Agriculture, Edinburgh.

§ 5,018. Mr. J. W. Peters, Farmer, of South Petherton, Somersetshire.

|| 2,950-1. Mr. W. Simpson, Farmer and Land Valuer, of Loversall, near Doncaster.

too high generally in Worcestershire, with regard to the present scale of prices?"—"From 10 to 20 per cent."\* "The Farmers are disposed to take a Rent which is improvident."†

"You state that the Tenants have become destitute of capital: can you assign the cause?"—"I suppose their want of remunerating price for their produce."—"You state that a great many of them are in arrear?"—"Yes."—"Suppose the Landlords were to be hard-hearted and to call in those arrears, what would be the condition of the Tenants?"—"They would half of them come upon the Poor Rate, I believe."‡ The effect upon the land of the fruitless struggle to pay exorbitant Rents it is not difficult to imagine. The Farmers clung desperately to the hope that at least at some future time the law designed for their protection would bring them succour. Meanwhile they redoubled their efforts to retain their holdings. Despite restrictive covenants, payment, with their dwindling capitals, could only be maintained by scourging the land. "If Rents are not reduced in proportion to the prices, Farmers will be apt to over-crop the land to enable them to discharge their engagements, until it will not pay even for a diminished quantity of labour, when it will be thrown out of cultivation in a deteriorated state."§ This had, in fact, been happening for some time past.

Farmers' distress, 1822-33.

"The land throughout the Kingdom is going back in cultivation. I think that the Farmers on all the cold clay lands have been paying their Rents for these several years more from hard cropping and capital."||

Retrosession of agriculture.

"The state of agriculture in Hampshire and West Sussex is within the last fifteen years decidedly worse."¶

"What is the state of cultivation in the counties of Essex, Suffolk, Norfolk, Kent, Surrey, Sussex, Bucks, Berks, and Herts, compared with what it was twenty years ago?"—"It is very much worse."\*\*

\* 1,755. Mr. W. Woodward, Farmer, of Worcester.

† 3,340. Mr. E. Coode, Land Agent, of St. Austell, Cornwall.

‡ 4,858-60. Mr. Peters, *suprà*.

§ 2,853. Mr. Oliver, *suprà*.

|| 168. Mr. A. Murray, Land Agent.

¶ 9,804. Mr. C. Osborn, *suprà*.

\*\* 139,317. Mr. W. Downes, Land Agent.

"In 1792 the farms were in good condition, but they have been falling off ever since that time." \*

"Since the passing of the last Corn Bill, which was in 1828, has the agriculture of these eighteen counties been going back since that?"—"I think the distress they feel has increased since the period of 1828." †

The evidence of this deterioration of agriculture was, of course, the diminution of produce, a diminution which still further aggravated the Farmers' difficulties. "In what particular has the state of agriculture in Northamptonshire gone back?"—"In its produce. The gross produce has, I think, diminished." ‡

"The gross produce in South Wales has very much diminished, and the Tenants are very much reduced in circumstances." §

"I think the gross produce is decreasing, because, generally speaking, the whole lands in that neighbourhood (Somersetshire) have been neglected very much through the Farmers wanting capital." ||

"The produce has diminished." ¶

When the land would bear no longer, and the Tenant, overwhelmed with Rent and Rates, was at last sold up, the area of cultivation naturally contracted. "Do you know any large districts of land thrown out of cultivation within the last ten years, which have returned to grass or down?"—"I know a great deal of land which has got into that situation at different places." \*\*

"I think that throwing a certain quantity of land out of cultivation is inevitable." † †

"Has any portion of land gone entirely out of cultivation?"—"A good deal of the very poor land in Sussex." ‡ ‡

The Corn Law, in short, was, at least as far as some of the Landlords were concerned, no more of a benefit to

\* 12,541. Mr. W. Smith, Farmer, of Swarlston Lows, near Derby.

† 11,669. Mr. E. Driver, Land Surveyor.

‡ 9,506. Mr. J. Cooper, Land Agent and Farmer, of Pottersbury, Northants.

§ 126. Mr. A. Murray, *suprà*.

|| 4,738. Mr. Peters, *suprà*.

¶ 11,109. Mr. Harvey Wyatt, of Stafford, Land Agent.

\*\* 275. Mr. A. Murray, *suprà*.

† † 3,253. Mr. T. Oliver, *suprà*.

‡ ‡ 7,243. Mr. R. Peyton, *suprà*.



the class which had been instrumental in passing it than it had proved to the Farmers themselves. It was no matter for astonishment, therefore, when Landlords were uncertain of receiving their Rents, and Farmers were crushed by insolvency, that the distress of the traders in the agricultural districts was also a source of trouble. The internal trade of the country was in a state of paralysis. Such is a picture of agriculture, drawn, not by the imagination of Mr. Cobden or Mr. Bright, but by the experiences of Protectionist Farmers before a Protectionist Committee, after five years' trial of a new and comparatively moderate duty upon corn which was to remedy the defects of the more restrictive measure of 1815.

If the distress in agriculture was severe in 1833 the operation of the existing Corn Law of 1828 had not served to relieve it after a further trial of three years. On the contrary, despite the intention of Protection to secure remunerative prices, there had in fact been a steady decline in wheat since the year 1831. In the interval between 1833 and 1836 it is certain that, if we are to believe the evidence brought before Parliament, a number of once well-to-do Farmers must have been brought upon the Poor Rate, and their places taken by fresh Tenants with the same delusive expectations. It will be seen, from the statements of the witnesses before the Committees of 1836, that where the Tenantry had contrived to maintain their existence under the pressure of exaggerated Rents and amidst ever disappointed hopes, the struggle had become, year by year, one of increasing difficulty. The new Poor Law had alleviated the local burdens. Yet it appeared "from the concurrent testimony of many witnesses, examined before the Agricultural Committee, that in various parts of England the Farmer's capital is gradually sinking."\* For example: "I do not think the condition of the Farmers generally in the county of Sussex is better than it was three or four years

Increase of  
Farmers'  
distress,  
1833-36.

1836.  
Progressive  
distress of  
Farmers.  
Another  
Parlia-  
mentary  
Inquiry.

\* "Remarks on the Present State of Agriculture," by C. Shaw-Lefevre, Esq., M.P. (afterwards Lord Eversley), 1836. Mr. Lefevre was Chairman of the Commons' Committee, and his remarks embodied the Report which he had drawn up for that Committee, but to which the Committee failed to agree. Neither the Lords' nor the Commons' Committees reported.

ago; in fact, I think the Farmer's condition is deteriorated; his capital is less."\*

"Comparing the present time with twenty years ago, which is the best for the Farmer?"—"Twenty years ago, considerably."†

"Do you consider that the failures in the last three years have exceeded those in any former three years since you have resided there?"—"No doubt of it. I consider that the Farmer is 30 per cent. worse than in 1818."‡

"What is the state of the Farmer?"—"The condition of the Farmer I consider to be bordering on ruin; *he is not so well off as he was in 1833.*"§

"Comparing the condition of the Farmers in your neighbourhood at present with their condition in 1833, should you say that they are much worse than they were then?"—"No doubt of it; they are *declining year after year*; and my belief is that there are a great number upon the precipice now that nothing can save."||

"Do you think the Tenants, generally speaking, are in a very deplorable state?"—"Generally speaking, they are."—"If they were hard pushed for arrears what would be the consequence?"—"I should say, *taking the Farmers as a body, they are an insolvent set*—there are many exceptions."¶

"Are the Farmers richer or poorer than they were in 1833?"—"I should say poorer."—"And do you not think that since that time there has been any reduction in the wages of labour or Rent or in the amount of tradesmen's bills adequate to the prices?"—"Certainly not."—"What would be their situation were the Landlord to distrain?"—"They might go to the Parish and work upon the roads."—"Are the Committee to understand that they would have nothing to fall back upon?"—"I suppose there are fifty around me that would have nothing if all arrears were paid up."\*\*

\* 13,123. Mr. Thomas Boniface, Farmer, near Littlehampton.

† 3,518. Mr. T. Bowyer, of Buckden, Hunts.

‡ 7,794-6. Mr. Handley, Corn Merchant, Spalding, Lincolnshire.

§ 5,619. Mr. Cooper, Farmer, of Blythburgh, Suffolk.

|| 8,567. Mr. W. Umbers, Farmer, of Leamington, Warwickshire.

¶ 5,764. Mr. Cooper, *suprà*.

\*\* 1,840-1, 1,805-6. Mr. J. Cortis, Farmer, of Amersham, Bucks.

1836. Acute  
distress of  
Farmers.  
Another  
Parlia-  
mentary  
Inquiry.

General  
insolvency  
of the  
Farmers.

“Is there much distress among the Farmers in Glamorganshire?”—“Very much: *the capital of the Tenantry has been disappearing in the last ten, twelve, or fifteen years.* Many have become insolvent, and I could enumerate several others whose losses have been very great. I should say nearly £45,000 have been sunk by five-and-twenty Farmers within ten miles of me in the period I have stated.”\*

“Taking the period since the last Committee sat in 1833, what do you consider the comparative state of the farming interest now and at that time?”—“Decidedly and progressively worse.”†

“Farming is in a very depressed state now: in a much more depressed state than I recollect it to have been before.”‡

“You have been asked a question with respect to the situation of the Tenants, and your answer was that many of them were almost beggared, and could not pay their Rents. Now supposing the Landlords as a body were to endeavour to compel the payment of Rents, what would be the situation of a great part of the Tenants of this country?”—“That they would have the land on their own hands.”—“Do you think, then, that the Tenants of this country to a great extent hold their farms upon sufferance only, and at the mercy of the Landlords?”—“Yes, I do. One-half of the Tenantry in the district is insolvent.”§

“*I consider the whole agricultural body insolvent.*”||

“The Farmers are so badly distressed that I know perfectly well that, taking them as a body, they cannot exist from the profits of their farms, or perform their engagements to their Landlords and other creditors.”¶

The Farmers on arable farms are in a state of very great depression. The prices have been such that they cannot pay anything like the former Rents, or anything

1836.  
Evidence of  
Farmers at  
the Parlia-  
mentary  
Inquiry.

The  
Farmers'  
distress,  
1833-36.

\* 4,273-4. Mr. E. David, Farmer, near Cardiff.

† 5,327. Mr. C. Koward, Farmer, York, E. Riding.

‡ 15,572. Mr. Spooner, Banker and Farmer.

§ 1,652-5. Mr. J. Rolfe, Farmer, of Beaconsfield, Bucks.

|| Lords' Committee, 1,615, Mr. J. B. Bernard.

¶ Lords' Committee, 771, Mr. J. J. Allnatt, of Wallingford, Berks, Land Agent.

like the Rents they are now engaged probably to pay." \*  
 "I believe Farmers have been losing for almost the last twenty years." †

"When do you consider the distress to have begun?"—  
 "In 1815." ‡

"As a banker of Birmingham, can you give an opinion of the state of the Farmers round the country?"  
 —"A vast number are insolvent. They are *all insolvent as it affects their farms*, unless they have private property." §

Notwithstanding this intolerable pressure upon the Farmer, now so long continued, wages had not declined in proportion to prices. Perhaps, on the whole, the situation of the agricultural labourer had been improved. This favourable change was not universal. "Should you say that the condition of the labourer is worse or better than it was in 1833?"—"I consider the condition of the labouring poor in our district (Suffolk) to be worse, generally speaking." || It was natural that this should be so, since the Farmer had been for years supporting them out of his capital. The same evidence on this point is given as had been given before the Committee of 1833. "Taking the present wages of the labourers, do you think that they are paid out of the profits of the Farmer?"—"No."—"Do you think they are paid out of his capital?"—"Certainly." ¶ The condition of the labourers, according to one witness, had long been "desperate," and the Farmer had, as before, the choice of gradual impoverishment or the sudden ruin of incendiarism. "If the labourer is now depending for his wages, not upon the profits of the Farmer, but upon his capital, do you think that is a state of things likely to continue?"—"No. It appears to me that it will not continue; it would not have continued in the state we now find it if it had not been for the riots of 1830, in our county. If it had not been for those riots, wages would

\* Lords' Committee, 4,851, Mr. B. S. Escott.

† Lords' Committee, 1,555, Mr. R. Peyton, Land Agent, of London.

‡ Lords' Committee, 920, Mr. Leurin, Farmer, of Wickham Market, Suffolk.

§ Lords' Committee, 4,338-9, Mr. R. Spooner.

|| 5,637. Mr. Cooper, *suprà*.

¶ 14,847-8. Mr. J. Freeland, Farmer, of Chichester.

have been lower at this time than they are. At that time there was a *considerable rise of wages*, and they have never reduced themselves in proportion to the fall in the price of wheat."—"The rise that took place was *from intimidation in consequence of the fires?*"—"Undoubtedly."—"And the fires were in consequence of a disposition on the part of the Tenantry to reduce the wages corresponding with the reduction in prices?"—"Yes." \*

Desperate condition of the labourers. Wages extorted by intimidation.

"With respect to the labourers, *we are paying 50 per cent. more for labour than we ought to do, as a sort of premium of insurance to prevent our farms being burnt down.* In the village near me we had thirteen fires in one year and a half."—"To what do you attribute those?"—"To the desperate state of the labouring class." †

"You spoke of certain calamitous circumstances which you think have enhanced unnaturally the price of wages; what do you allude to?"—"I mean the prevalence of fires and the threatening attitude assumed by the labourers, in the Southern districts of England more particularly."—"Does it follow that if the present rate of agricultural prices continue, ultimately wages must descend to a lower level?"—"Undoubtedly."—"Will that be an easy process, or will it be accompanied whenever it takes place with further insubordination among the labourers?"—"With desperate and alarming excesses on the part of the labouring population." ‡

"Can you keep up this rate of wages at the present prices?"—"No."—"Then you must lower?"—"Yes, but the Farmers are fearful of lowering."—"What are they afraid of?"—"They are afraid that the labourers will set fire to their premises or annoy them in going about." §

"Have you had many fires in your neighbourhood lately?"—"We had one last Friday week; that is one great reason why we cannot reduce labour." "Should

\* 13,172-4. Mr. T. Boniface, *suprà*.

† 2,351-4. Mr. W. Thurnall, Farmer, of Duxford, Cambs.

‡ 6,189-92. Mr. H. Burgess, Secretary to the Committee of Country Bankers.

§ Lords' Committee, 2,971-3. Mr. J. Carter, Farmer, of Hunstanton, Norfolk.

The  
Farmers'  
distress,  
1833-36.

you otherwise have reduced your labour?"—"I should, certainly."—"Can you go on paying the present wages?"—"No."—"You would decrease them but for the fear of fires?"—"I think we should do so, certainly, from the necessity of the case."\* The only alleviation of the Farmers' load was derived from the Poor Law Amendment Act, the working of which had in a very short time sensibly diminished pauperism, so that the Poor Rates no longer amounted, as they did in at least one parish in Sussex, to 20s. in the £.† On the other hand, cultivation was still deteriorating, as it was in 1833, and from the same causes. "Should you say that the cultivation of Buckinghamshire has fallen off within these last eight or ten years?"—"I should say so, in the neighbourhood in which I live."‡

Retrogression of  
agriculture.

"Is the state of agriculture within your district better or worse than it was when you became a Farmer?"—"Worse; when I first became a Farmer it was much better than it is now."§

"You stated that the Farmers in your neighbourhood were in a deplorable situation. Do you think that the cultivation of the land has gone back in your neighbourhood?"—"Certainly, in many instances; I do not say universally."|| "Speaking generally (of Warwickshire) the land is deteriorating in cultivation."¶

"There is a greater quantity of land retrograding than improving."\*\*

"It has been by persisting in the high Rents that the farms have been worked out of condition." † †

"Have tenants in your part of the country what is called scoured the land, that is, by over-cropping or working it out?"—"In many instances they have, to a very great extent."—"Has not the ruin of the estate in that way been the means of keeping them up in the way

\* Lords' Committee, 93-96. Mr. Waring, Farmer, of Chelsfield, Kent.

† 13,156-8. Mr. Boniface, *suprà*.

‡ 358. Mr. Brickwell, Farmer, of Leckhampstead, Bucks.

§ 3,685. Mr. H. Morson, Farmer, of Denham, Herts.

|| 2,395. Mr. Thurnall, *suprà*.

¶ 8,454. Mr. W. Umbers, *suprà*.

\*\* 5,189. Mr. J. Scott, Corn Merchant, of Liverpool.

†† 12,409. Mr. C. C. Parker, Farmer, of Woodham Mortimer, Essex.

they have kept up?"—"Yes."—"And so saved themselves from ruin?"—"They have done everything they could to prop up a bad concern for a year or two, and have sunk at last."\* Even scourging did not save the Farmer's capital, which was ultimately the source from which the Rents were paid—Rents forced up by the illusory hopes held out by the Corn Laws. "What is the condition of the Farmers in your district?"—"There is a Landlord, who owns several parishes, and who has exacted extravagantly large Rents; he naturally makes his Tenants poor; he perhaps does not take more than 2s. or 3s. an acre more than it is worth, but even that will deter men of capital and experience from taking the land; he is always making distresses and in hot water with his Tenants." †

"What did you find to be the condition of the Farmers in 1832 from all the returns made to you?"—"That at that time no less than half the average Rent of the Kingdom was paid out of capital instead of out of profits." ‡

Rent paid  
out of  
capital.

"Do you think Farmers have any means of paying Rent out of the profits made on their lands?"—"No, nor have they had for some time." §

"Do you think the Farmers have been paying the expenses of their farms out of capital, and not out of the produce of the farm?"—"Yes, I should say so, in almost all cases."—"Are they getting worse each year?"—"Yes." ||

"How are Rents paid in the North?"—"In my opinion they are much better paid than they ought to be; because a great deal of Rent must come out of the Tenant's capital; and besides, I understand from tradesmen of agricultural towns that Farmers leave their bills unpaid in order to scrape together the Rent." ¶

\* Lords' Committee, 1,822-4. Mr. H. Wilson, Farmer, of Allextion, Leicestershire.

† 12,813. Mr. Crowther, Farmer, of Evesham.

‡ Lords' Committee, 1,573. Mr. J. B. Bernard, of Sidmouth, Statistician.

§ Lords' Committee, 2,435. Mr. Bradley, Land Agent, of Glamorganshire.

|| Lords' Committee, 800-1. Mr. J. Allnatt, of Wallingford, Berks.

¶ Lords' Committee, 3,573. Mr. Cayley, M.P. for Yorks, N. Riding.

1836.

"The Farmers have been paying their Rents out of their capital. The capital of most is reduced, and of some entirely gone."—"Is the number of those whose capital is entirely gone considerable?"—"It is."\*

"I believe the Farmers have been paying Rents out of the capital they employ. It has been my case."†

"Do you think the Tenants of your neighbourhood possess as much capital as they did in 1820?"—"No."—"They have been losing capital rather than gaining it?"—"Yes."‡

"Do you believe that many Farmers are now paying their Rent from their capital instead of their profits?"—"I am quite convinced that in many instances it has been paid out of capital, and where they had not capital it has been paid out of their stock on their farms. and where they had nothing to depend on but their produce the land has gone out of condition and the Rent is in arrear."§

"Taking the whole of the Farmers of Lothian, do you think they are possessed of as much capital as they were twenty years ago?"—"No; the Tenantry of the country have been very greatly changed since the conclusion of the war (1815); there was a complete change in their circumstances; *from being generally in comfortable circumstances the great majority of them were soon reduced to little better than a state of bankruptcy, with the high money Rents they had contracted.*"||

"Have the Farmers who hold their farms at money Rents suffered?"—"Yes; they suffer much at present, and they complain much."—"These money Rents were fixed under the operation of the old Corn Law (1815)?"—"Yes; under the expectation that the prices upon wheat would be maintained at something like what the Corn Law proposed."¶

"You were making a good deal of money from 1801-

\* Lords' Committee, 4,211-2. Mr. Comfort, Solicitor, of Rochford, Essex.

† 3,236. Mr. R. Babbs, of Bradville, Essex.

‡ 11,683-4. Mr. R. H. Stares, Farmer, of Droxford, Hants.

§ 1,389. Mr. Rolfe, Farmer, of Beaconsfield, Bucks.

|| 0,932. Mr. R. Hope, Farmer, of Fenton Barns, Haddingtonshire.

¶ 9,659. Mr. R. Hope, *suprà*.

The Farmers' distresses the result of Protection.

Protection enhanced Rents.



1814, were you not?"—"Not so much as the rise in the value of land indicated."—"If you had started farming in 1820 with £3,000 capital, how much more than £3,000 would you have had at present, do you think?"—*I believe that every one that started farming in 1820 with £3,000 capital at money Rent, as it was generally paid them, is hardly solvent at the present day.*\* As in 1833 and previous years, then, the Farmers' difficulties were, at bottom, a question of Rent, of Rent unnaturally enhanced by the Corn Laws. As Mr. Hope put it, "I am sure, *if it had not been for the Corn Law, Farmers would not have given so high a Rent.* In 1814 I took a new lease for twenty-one years of the farm I at present occupy, and have agreed to pay £1,710 for it, under the expectation that prices would keep up to something near 8os. a quarter; but we soon found we were under a delusion about it."†—"Can you suggest anything that the Legislature can do?"—"Nothing."—"And you think it is a question mainly of Rent between the Landlord and the Tenant?"—"Certainly it is."‡

"The consequence of the Rents being kept up too high has been that the land has been overcropped?"—"Yes; when I have conversed with the Farmers this appears to be the conclusion they have come to, that *they have paid their Landlords what they ought to have paid to the Labourers;* if they had paid it to the Labourers they would have had value for their money, whereas they paid it to the Landlord, and, of course, received nothing back, and they have so much less to lay out upon their farms."§

"You think that the Rents are too high for present prices?"—"Certainly."||

"The Corn Laws induced men to offer more than has been well realised by the price of corn, because *it was generally expected from the Corn Laws that prices would be kept up to something like what they promised;* that the import of foreign corn would be restricted, and by that

\* 9,783-7. Mr. R. Hope, *suprà*.

† 9,772. Mr. R. Hope, *suprà*.

‡ 13,506-7. Mr. J. Church, of Dumfries.

§ 12,664. Mr. J. Fison, Corn Merchant, of Thetford, Norfolk.

|| 11,380. Mr. J. Hancock, Dorsetshire.

1836-42.

means keep up the price of the home growth to 70s. or so.”—“Is it the operation of the law, or some other cause, that has made the price of wheat so low, in your opinion?”—“I think the law has had nothing to do in bringing down the price of wheat. I think it is the favourable seasons and the abundant crops.”—“Then *how has the Corn Law disappointed your expectations?*” —“*Because it led those that took farms at money Rents to give a much higher Rent than they would have done.*”\*

Why  
Protection  
enhanced  
Rents.

“I am the only remaining Farmer in the parish where I was brought up; except myself, there is not a Farmer, nor the son of a Farmer, remaining within the parish.”—“What is the reason of their all having gone away?”—“The money Rents that were exacted of them; *they all conceived that they were to have 80s. a quarter, and their calculations were made upon that. It soon appeared that that could not be realised, and they were not converted, and ruin has been the consequence.*”†

Notwithstanding the distress which, as has been seen, had been prolonged ever since the Corn Law of 1815, persons inclined to agricultural pursuits continued to embark their capital in agriculture. They were “not converted,” save by ruin, for the Corn Laws, like an *ignis fatuus*, still held out to them the hope, at least in years of scarcity, of excessive profits. Competition was thus stimulated for the holdings which had, after years of struggle, drained the outgoing Tenant of his capital. “The present duty gives the Farmers an expectation that something is to come to their relief that can never arrive, and on that account it holds up the value of land fictitiously.”‡ “It is an extraordinary fact that even during these low prices the competition for farms has continued. The Farmers cannot turn themselves to other occupations.”§ “Landlords do not like to let leases at the present prices: they do not think that wheat can remain in its present very low state.”|| “*The competition*

\* 9,738-41. Mr. R. Hope, *suprà*.

† 10,113-4. Mr. A. Howden, Farmer, of East Lothian.

‡ 10,945. Mr. J. Ellis, Farmer, of Leicester.

§ 8,158. Mr. G. Calthrop, Corn Merchant, of Spalding, Lincolnshire.

|| 11,408. Mr. J. Hancock, *suprà*.

for farms has kept up the Rents?" — "Yes." Thus was generation after generation of Farmers sacrificed—not simply through their own imprudence, but through the illusions spread by a law which, while it was potent to injure, could not but be powerless to protect them.

It was the necessary consequence of these disasters to the Farmer that those who were dependent upon his custom were no less involved in difficulty. It has been seen that the Landlord's Rent first enforced its claim upon him. Little, indeed, then remained for the tradesman. "In what state generally are the tradesmen in the towns surrounded by agricultural districts?" "Many of them have been bankrupt, and the complaints of those who remain have been loud for some years that the Farmers, their best customers, are gone."\* "The tradesmen are in a most deplorable state. I can speak to that most positively."† The same distress existed in this class throughout the country, and in its turn reacted seriously upon the Farmers, whose customers these tradesmen were, by lowering the demand, and therefore the price of meat and dairy produce.

Neither the Committee of the Lords nor of the Commons could agree upon a Report. The supporters of the Corn Laws were unable to controvert the evidence of the injury inflicted on the Farmer, and the advocates of repeal as yet very inferior in numbers and influence. Matters went on unchanged. Between 1838 and 1841 trade was normally prosperous. Exports fluctuated between fifty millions in the former year and fifty-one and a half millions in 1841; the prodigious expansion of commercial wealth which followed upon the establishment of Free Trade being in those days unknown. In 1838 wheat began to show an upward tendency, which was continued in 1839, the average for which year was 70s. 8d. Rents immediately rose again and continued to do so for two years. The Farmers, whom the continued distress of twenty-five years had taught to refuse leases at the Rents asked, were called upon to pay an

\* Lords' Committee, 3,387, Mr. Cayley, M.P., *suprà*.

† 2,373. Mr. Thurnall, *suprà*.

additional 10 to 30 per cent. for their holdings.\* There was nothing to justify this. A far higher advance in the price of wheat would not have recouped their losses; and meat had for years remained at about the same level. But there was the specious hope of a scarcity and of a fortune to be realised in a single season which the Corn Law dangled before their eyes, and not the less before those of the Land Agent.

1842.  
General  
distress.

No sooner, then, were the Rents readjusted to the Landlords' advantage than prices began to decline afresh, and in 1843 wheat had fallen to 50s. 1d. Beasts were 34 per cent. and mutton 25 per cent. lower than in 1836, the year of inquiry into the distress, and the year 1844 witnessed a still further decline. The condition of the Farmers' customers, the manufacturing population, was appalling. In the days of Protection to manufactures progress was so slow that the export trade in the year of depression, 1842, was smaller than in 1835, one of the prosperous years of the preceding decade, and even than that of the years 1809, 1810, and 1815. But population was not stationary; in the best times it pressed hard upon the means of subsistence; the savings of workmen were infinitesimal as compared to those at the present day, and a paralysis of trade brought instant starvation. In 1842 "there seemed to be no class that was not threatened with ruin." The Speech from the Throne in February recommended to the consideration of Parliament "the state of the laws which affect the importation of corn and other articles, the produce of foreign countries." It also mentioned "with deep regret the continued distress in the manufacturing districts of the country." There was a growing deficiency in the revenue. The difference between the annual income and expenditure had increased from a deficiency of £1,593,000 in 1840 to no less than £3,977,000 in 1842. But details of public insolvency are less affecting than those which depict the abysses of personal distress. In Carlisle the Committee of Inquiry reported that a fourth

1842. What  
Protection  
does for the  
artisan,

\* See letter in *Morning Chronicle*, June 22, 1840. There was no uniform system of official statistics by which the general rise of Rent between the last century and the abolition of the Corn Laws could be accurately measured.

of the population was in a state of starvation—actually certain to die of famine unless relieved by extraordinary exertions. In the woollen districts of Wiltshire the allowance to the independent labourer was not two-thirds of the minimum in the workhouse; and the large existing population consumed only a fourth of the meat and bread required by the much smaller population of 1820. In Stockport more than half the master spinners had failed before the close of 1842; dwelling-houses to the number of 3,000 were shut up, and the occupiers of many hundreds more were unable to pay Rates at all. “Five thousand persons were walking the streets in compulsory idleness; and the Burnley Guardians wrote to the Secretary of State that the distress was far beyond their management . . . Provision dealers were subject to incursions from a wolfish man prowling for food for his children, or from a half-frantic woman with a dying baby at her breast, or from parties of ten or a dozen desperate wretches, who were levying contributions along the street. The linen-draper told how new clothes had become out of the question among his customers, and they bought only remnants and patches to mend the old ones. The baker was more and more surprised at the number of people who bought halfpennyworths of bread. A provision-dealer used to throw away outside scraps of bacon, but now respectable customers of twenty years’ standing bought them in pennyworths, to moisten their potatoes. These shopkeepers contemplated nothing but ruin from the impoverished condition of their customers. While Rates were increasing beyond all precedent, their trade was only one-half, or one-third, or even one-tenth, what it had been three years before. . . . At Leeds the pauper stone-heap amounted to 150,000 tons; and the Guardians offered the paupers 6s. per week for doing nothing, rather than 7s. 6d. a week for stone-breaking. The millwrights and other trades were offering a premium upon emigration, to induce their hands to go away. At Hinckley one-third of the inhabitants were paupers; more than a fifth of the houses stood empty; and there was not work enough in the place to employ properly one-third of the weavers. In Dorsetshire, a man and his wife had for wages 2s. 6d. per week and three loaves,

and for the  
labourer.

and the ablest labourers had 6s. or 7s.”\* “In the summer of 1839,” writes the well known Mr. Baptist Noel,† “several poor persons with whom I conversed in Devonshire assured me that the whole of a poor man’s wages, at that time, would scarcely produce dry bread for a family of four or five children. In various agricultural counties, if I am rightly informed, the labourers and their children can scarcely ever touch meat.” Protection, therefore, while it had secured for the Farmer a monopoly of produce, had left his customers without the means to purchase it.

1842. The  
distress of  
the artisan  
brings dis-  
tress to the  
Farmer.

Since sufficient testimony has been accumulated from the reluctant admissions of Protectionist Farmers themselves as to the reality of their distress, and from an impartial historian as to the desperate circumstances of their customers, the case against Protection need not be rested upon the assertions of an acknowledged opponent like Mr. Cobden. But some instructive observations addressed by that gentleman to Farmers serve to impress the manner in which the welfare of the Farmer is linked with that of the consumer: “I find that in Dundee, in Leeds, in Kendal, in Carlisle, in Birmingham, and in Manchester, the falling-off in the consumption of butcher’s meat has been one-third as compared with what it was five years ago. How is it possible that this great falling-off in the consumption should take place without causing a diminution in the price of the article? We who are apt to cultivate our connections, to nurse our customers, to wish them well, and to be anxious for their prosperity, should take a very different view of the thing. If we find that our customers are declining, and that they have no longer the means to purchase, we know that we, as sellers, must suffer in consequence.” In addressing the Farmers of Hereford, in 1843, Mr. Cobden said: “A reverend friend of mine in Stockport took some pains to ascertain what the falling-off in the consumption of cattle was between 1835 and 1842; and in the former year, in the three months of July, August, and September, there were sold 814 head of cattle in the borough of Stockport;

\* Martineau’s “History of the Peace.” Book VI., chap. v.

† “A Plea for the Poor.” By the Hon. and Rev. B. W. Noel. 1841.

whilst in the corresponding three months of 1842 only 194 head were sold, being about one-third of the quantity which was consumed in the same period of 1835. Now, there was this falling-off to the amount of 600 head of cattle in three months at Stockport; the same melancholy fact was also observable in Manchester and other manufacturing towns. If all this diminution was going on in the consumption, it does not require much philosophy to see that it would not be long before you would be compelled to take a less price for your cattle; for as your customers diminish in number you will get a less price for what you have to divide among them." This was the secondary, but very effectual manner in which the Protectionist system devoured the Farmer's fortunes. It was not merely that it raised his Rent and Rates; it hampered him in the discharge of those outgoings by impairing the means of his customers, and thereby compelling him to sell his meat at any price he could get for it. "I will ask the Farmers," said Mr. Cobden, in March, 1843, "another question, and that is a home-thrust; it is a question about which, as the son of a Farmer myself, I may be presumed to possess some knowledge. I ask them, have you, as a class, since the year 1815, done as well, made as much money, and realised as much profit on a given amount of capital, as the retail trades—the grocer, the linen-draper, the tailor, in the nearest market-town? Why, when such a question is put, the Farmer throws up his eyes in anger that he should be called upon to solve such a question. 'Why, make as much?' he says. 'No; we never did; if we can live and send our children to school, and make both ends meet, that is all we expect,' and as to settlements with their Landlords, and payments of money, why, the generality of them have endless accounts with Mr. Redtape, the steward, and indeed they are never settled. The arrears, it is true, are sometimes paid up in dear years, and then they run on again until another period of high prices enables them once again to clear them off. The Farmer of this country is on precisely the same footing with regard to the Landlords as the Fellah population of Egypt is with Mehemet Ali. I went once, when in Egypt, into the fields with my gun,

1842-44.  
Condition  
of the  
Farmers' '1  
customers.

and I asked a Farmer how he settled his accounts with the Pasha. 'Do you have any settlements?' I asked; 'how are the accounts arranged?' 'Oh, sir,' said he, 'the accounts are as long as your gun! We have no settlement of accounts; he takes all the produce and leaves us just enough to live upon.' And so it is with the Farmers."

Practical  
examples of  
the benefits  
derived by  
Farmers  
from  
Protection.

A correspondent of the *Scotsman* in 1844 gives the following practical examples of the operation of Protection upon Tenants: Whatever advantage the Landlords may derive from the Corn Laws, it may be truly said that the Tenants have got no benefit from them, as I shall proceed to show from an examination of the result of farming on the estates of two large Landowners in this county, the rental of which may be from £8,000 to £10,000 per annum. The first estate to which I shall allude is Gilmerton, belonging to Sir David Kinloch, and consisting of six farms, besides one home farm, with grass parks, &c. Within the last thirty or thirty-five years three Tenants have left this property without being ruined (names given); ruined and left their farms seven Tenants within thirty-five years (names of farms given). The other estate belongs to Mr. Hope, of Luffness, now Under-Secretary for the Colonies, and consists of five farms, with grass parks, &c. There have left this property, during the same time, without being ruined, two Tenants (names given). Leases were renewed to three old Tenants (names given). Ruined and left their farms during the same period five Tenants (names of farms given). Now, of the five Tenants on both estates who have left their farms without being ruined, it is well known that four of them succeeded to large sums of money by the death of relations, which rendered them quite independent of their farms (names given); and hence *only one Tenant of those depending entirely on farming has left these estates for upwards of thirty years without being ruined.* Such has been the working of the Corn Laws."

1836-44.  
Practical  
examples of  
the benefits  
derived by  
agricultur-  
ists from  
Protection.

1842.  
Condition  
of Farmers  
and  
Labourers.

The report of a *Times* Commissioner on the condition of the Welsh Farmers and labourers, which appeared in the *Times* of December 2, 1843, amply confirms this description of the Farmers' situation. "The small Farmer here breakfasts on oatmeal and water boiled,



called 'duffery' or 'flummery,' or on a few mashed potatoes left from the previous night's supper. He dines on potatoes and buttermilk, with sometimes a little white Welsh cheese and barley-bread, and, as an occasional treat, has a salt herring. Fresh meat is never seen on the Farmer's table. He sups on mashed potatoes. His butter he never tastes; he sells it to pay his Rent. The pigs he feeds are sold to pay his Rent. As for beef or mutton, they are quite out of the question—they never form the Farmer's food. Is not this a 'muzzling of the ox which treadeth out the corn?' The condition of the labourer, from inability in the Farmer to give him constant employment, is deplorable. They live entirely on potatoes, and have seldom enough of them, having only one meal a day. Being half-starved they are constantly upon the Parish. They live in mud cottages, with only one room for sleeping, cooking, and living—different ages and sexes herding together. Their cottages have no windows, but a hole through the mud wall to admit the air and light, into which a bundle of rags or turf is thrust at night to stop it up. The thinly-thatched roofs are seldom drop-dry, and the mud floor becomes consequently damp and wet and dirty almost as soon as the road; and to complete the wretched picture, huddled in a corner are the rags and straw of which their beds are composed."

There is no more authoritative and comprehensive summary of the condition to which Protection to agriculture and Protection to manufactures had reduced Farmers and Traders alike than a resolution passed almost unanimously by the Common Council of the City of London on December 8, 1842, "Resolved: That the continuous and increasing depression of the manufacturing, commercial, and agricultural interests of this country, and the widespread distress of the working classes are most alarming:—Manufacturers without a market, and shipping without freight; capital without investment, trade without profit, and Farmers struggling under a system of high Rents, with prices falling as the means of consumption by the people fail; a working population rapidly increasing, and a daily decreasing demand for its labour; union houses overflowing as work-

shops are deserted ; Corn Laws to restrain importation and inducing a starving people to regard the laws of their country with a deep sense of their injustice. These facts call for the immediate application of adequate remedies. That this Court anxiously appeals to the First Minister of the Crown to give practical effect to his declarations in favour of Free Trade, by bringing forward at the earliest possible period in the ensuing Session of Parliament such measures for securing the unrestricted supply of goods and the employment of the people as may effectually remove a condition of depression and distress too widely prevailing, and too rapidly increasing, to consist with the safety of the community and the preservation of our social and political institutions."

The sliding  
scale of  
1842.

In conformity with the expressions of the Speech from the Throne Sir R. Peel, in the Session of 1842, introduced the last of the Corn Laws. The urgency of the distress necessitated a repudiation on the part of the Government of the delusive promises with which the Farmers had been flattered by the measure of 1829. Sir Robert Peel's Bill adhered to the sliding scale in preference to a fixed duty such as had been proposed by Lord John Russell in May, 1841. It proposed to afford relief to the consumer and to decrease the Protection granted to the home grower. But though it materially abated duties which were ostensibly prohibitory, it yet retained a substantial monopoly. When wheat was at 50s., for instance, the existing duty of 36s. 8d. was relaxed to 20s., a change which, it is obvious, would carry no practical consequences. Even at 70s. there was a duty of 5s., though this was less than half the duty up to that time leviable.

Little as such a measure relieved the consumer, it could effect still less for the Farmer. It was intended to keep wheat steady at about 56s., but in 1843 wheat had declined to 50s. 1d., a fall in five years of 29 per cent., and in two years of 22 per cent. Yet rents were still fixed at starvation prices. The abundant harvest stimulated trade, and supplied the wants of the famished population, but only served to add to the inextricable embarrassments of the Farmers.

In 1844 wheat was still low, and the Farmers consequently yet less able to struggle under their burdens than in the year preceding. With the fortunes of the Farmers sank the lot of their labourers. Wages were cut down again to 5s., 6s., or 7s. a week, and destitution wrung the country districts. In the county of Suffolk, for the quarter ending Lady Day, 1843, out of a population of 314,722 persons there were 39,489 receiving parish relief, being 13 per cent., or more than one in eight in the whole population. In the county of Essex, out of a population of 320,818 there were 44,694 receiving relief, or 14 per cent., or about one in seven of the whole population. In the county of Norfolk, out of a population of 343,277 there were 37,666 receiving relief, or 11 per cent., or about one in nine of the whole inhabitants of the county.

With the increase in the Rentals the reward of the labourer had declined till, measured in food, it was below the standard of the previous century.\* The agricultural poor were sinking to sustenance upon potatoes, that sure criterion of a country's misery. Mr. King, a surgeon of Calne, Wilts, wrote: "If women and boys who labour in the fields suffer in health at all, it is not from the work they perform, but from the want of food"; and the wife of a farm labourer described the general condition of her class in saying, "We never know what it is to get enough to eat . . . of bread there is never enough. The children are always asking for more at every meal." Even if matters stopped short of starvation, the Farmers, who, from feelings of humanity and to lighten the Poor Rates, were obliged to find employment for two pairs of hands enfeebled by famine to do the work of one, could not but be sensible of an aggravation of their burdens. But there was worse behind. The labourers, ignorant of the real causes of their misery, vented that irritation with which hunger goads the brain in acts of savage fury upon their employers' property. Incendiarism once more played the part in rural economy which it had filled in 1833 and 1836. The one class in the country for which the most effective Protection was maintained was the

1842.  
Wheat  
practically  
protected  
as before.

\* At the rate per acre for reaping wheat "the peasant in (Arthur) Young's time got a little more than one-tenth of the price of a quarter of wheat for his labour, and the fourteenth century peasant about two-thirds of the value of the whole produce."

class whose fortunes were most signally and most continuously unprosperous.

1845.  
Motion for  
another  
Parliamentary  
inquiry  
into agri-  
cultural  
distress.

In 1845 wheat fell again to 50s. 10d. Mr. Cobden, on the 13th of March, moved for a Select Committee "to inquire into the causes and extent of the alleged existing agricultural distress, and into the effect of legislative Protection upon the interests of Landowners, Tenants, and Farm Labourers." This was refused by the Conservative majority. Lord John Russell attacked Protection on the 26th of May with the direct resolution "That the present Corn Law tends to check improvements in agriculture, produces uncertainty in all farming speculations, and holds out to the owners and occupiers of land prospects of special advantage which it fails to secure." This resolution was negatived, not by argument, but by votes, for it was based upon the patent and unquestionable fact that now, when the Farmers "had a Protection of 40 per cent., they were still in a state of difficulty and distress."

1846.  
Repeal of  
the Corn  
Laws.

Many of the Farmers had by this time learnt, through bitter experience, that the Corn Laws, if they were a Protection to the Landlords, meant to themselves ruin. In April, 1845, the *Brighton Herald* states, "in illustration of the state of the farming interest in this neighbourhood at the present time, that there is almost an uninterrupted series of farms reaching from Washington to Worthing—a distance of eight miles—now to be let or about to be let." As Mr. Hope, of Fenton Barns, at this time pithily put it:—"Corn Law Rents, at Free Trade prices, are at the bottom of the Farmers' distress." Sir Robert Peel's conversion but put the seal upon the change now matured in public opinion, and the failure of the potato crop in Ireland, which necessitated an instant relaxation of restrictive duties, furnished occasion for the measure of 1846, by which the duties on imported cattle were removed, and after three years' nominal duty corn was to be admitted entirely free.\* So far as the Farmers were concerned, the untaxed admission of butter and cheese in 1860 completed the adoption of Free Trade.

\* It is noteworthy that the second reading of the Bill for the Repeal of the Corn Laws was moved in the House of Lords by the Earl of Ripon, who had himself been the introducer of the Corn Law Bill of 1815 into the House of Commons.

## APPENDIX A.

The following is the recapitulation of a detailed account published by Mr. C. H. Lattimore, Farmer, of Wheathamstead, Herts, in the *Mark Lane Express*, December, 1845:—

“Account of Corn crops grown upon and sold off Wheathamsteadplace Farm in 1844, consisting of 250 acres arable and 21 of grass land. Total, 271 acres.

## RECAPITULATION.

Taking the mean estimate of the consumption of the Norfolk labourer which gives the extra cost of Protection upon his food at £2 7s. 8d. per annum, it will amount to:—

	£	s.	d.
For 18 labourers, not boarded, at £2 7s. 8d. ... ..	42	18	0
Allow 2 labourers extra for harvest work, at £2 7s. 8d.	4	15	4
Ditto 10 per cent. on tradesmen's bills (£65) ... ..	6	10	0
Ditto 10 per cent. on household expenses (say £300)	30	0	0
Ditto for Rents, Rates, and Tithes increased by Protection, say ... ..	20	0	0
Cost of Protection duties on cattle food (details given)	204	17	3
	<hr/>		
Total cost of protective duties ... ..	309	0	7
Deduct enhanced value of produce... ..	96	16	2½
	<hr/>		
TOTAL LOSS TO FARMER ON 271 ACRES THROUGH A “MODERATE” PROTECTION TO AGRICULTURE	212	4	4½
	<hr/>		

Thus it appears that the loss upon 271 acres of land in one year from Protection amounted to the sum of £212 4s. 4½d., or 15s. 8d.

per acre. I anticipate that it will be said to show an unusual consumption of cattle food upon 271 acres of land ; still it is a correct statement of facts, and upon the system of stock-feeding pursued upon this farm the purchases for stock and cattle food, taking an average of years, have considerably exceeded the amount realised from the sales of corn produced from the farm."

## APPENDIX B.

## THE FARMER OF KENT.

“*The League*,” Oct. 14th, 1843.

## I.

GOOD Farmers, give ear, for this tale is for you,  
 And it's one, as you'll find, not too strange to be true—  
 It relates to a Farmer of Kent,  
 Who complained to himself, as he walked out one day,  
 “Here I've toiled many years on this cold hungry clay,  
 And what money I had that's not melted away  
 Will soon all be swallowed in Rent.”

## II.

Then he went to his Landlord, and “Landlord,” quoth he,  
 “That farm on the hill has well-nigh ruined me,  
 For my capital's nearly all spent ;  
 What to do with that soil, in these times, I can't guess,  
 And the truth is, I'm now in that state of distress,  
 That unless you are willing to take one-half less  
 I never can pay you your Rent.”

## III.

“Worthy Farmer,” the Landlord replied, “understand  
 That the one thing we want is Protection for land—  
 We must keep foreign corn out of Kent ;  
 Come with me to the poll, vote as I shall advise,  
 And then open your mouth (but be sure close your eyes),  
 And what good things will drop in you'll see with surprise,  
 But pray say no more about Rent.”

## IV.

The Landlord was civil, the Farmer obeyed,  
 With his help a monopolist member was made,  
 And straightway to Parliament sent ;  
 Laws were passed to decree that the poor man might die,  
 But that food from abroad should no starving wretch buy,  
 “And yet,” said the Farmer, “no better am I,  
 For my profit goes always in Rent.”

## V.

But in vain to his Landlord again he complained,  
The Landlord said, knowing his object was gained,  
    “You may quit if you can't be content ;  
As to lowering your farm, that's all fiddle-de-dee,  
(Then aside) Don't you wish you may get it ?” said he,  
“Protection, you fool, was intended for me,  
    And its use is to keep up my Rent.”

## VI.

“Well-a-day,” said the Farmer, “let those laugh that win,  
But I'll not be a second time so taken in  
    By monopolist Landlords of Kent ;  
Try an old bird with chaff, and to catch him you'll fail,  
I now see through the juggle of Peel's sliding scale—  
Protection's a cheat, and the end of the tale  
    Is—the Corn Laws mean nothing but Rent !”



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# FACT *v.* FICTION

IN TWO OPEN LETTERS

TO

MR. F. E. SMITH, M.P.

FROM

HENRY VIVIAN, M.P.

WITH AN

INTRODUCTORY NOTE

BY

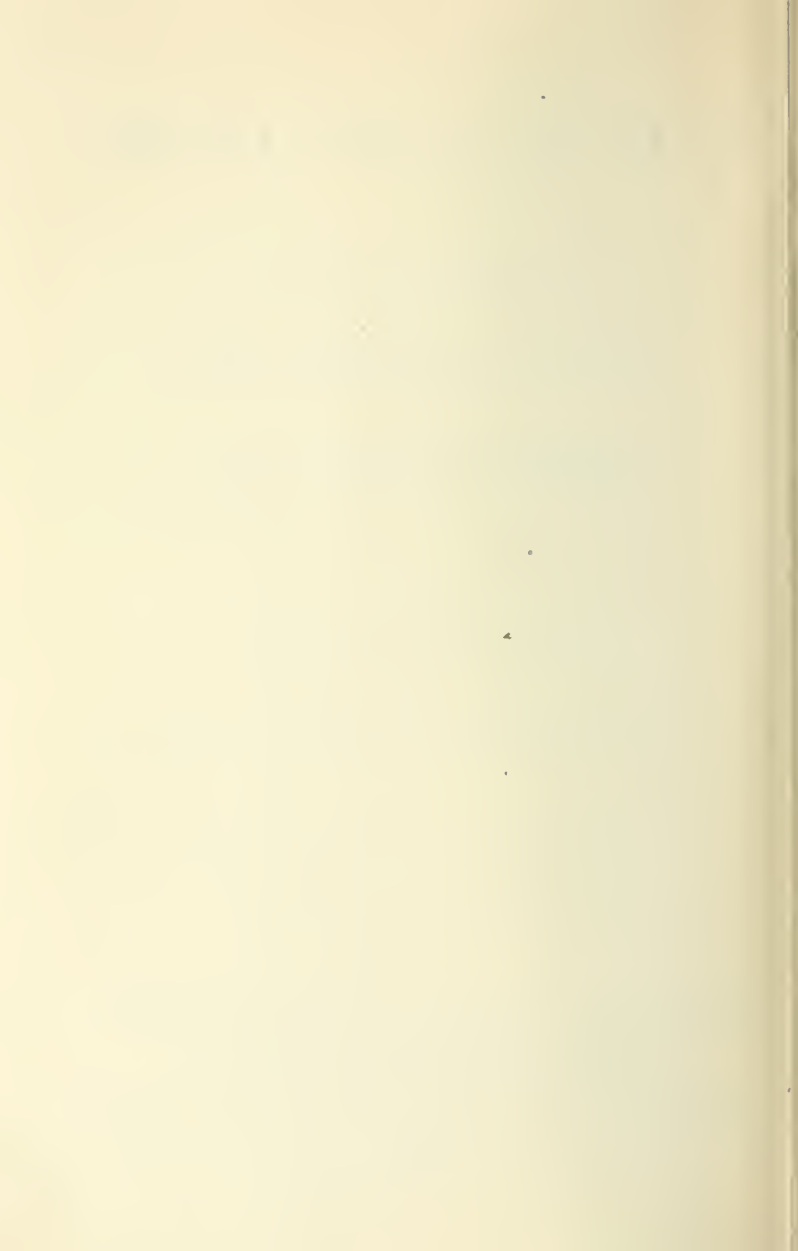
The Right Hon. RUSSELL REA

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## INTRODUCTORY NOTE

THE Cobden Club, in its publications, has, for the most part, devoted itself to the scientific, economic, and historical defence of the citadel of Free Trade, and to following and exposing the fallacies of Protection in all the Protean forms they assume in its modern developments. It has generally left the equally necessary statistical, local, and personal departments of the controversy to others.

But there are occasions when it is necessary to leave the citadel, sally into the open field, and slay a heretic as well as refute a heresy.

When a prominent politician, in his protectionist propaganda, has been rash enough, not only to lay himself open to so crushing a reply to his mis-statements of facts, and his consequently ridiculous deductions from them, but to point his speeches by attacks upon a prominent member of the committee of the Cobden Club, one who is so well able to demolish his arguments and straighten out his "facts" as Mr. Henry Vivian, I think that such an occasion has arrived. And, speaking for the Cobden Club, I may say that we are glad that the champion who has, on this occasion at any rate, overthrown Mr. F. E. Smith bears on his helm the sign and crest of the Cobden Club.

RUSSELL REA.



# FACT v. FICTION

In Two Open Letters to Mr. F. E. SMITH, M.P.,  
from HENRY VIVIAN, M.P.

## FIRST LETTER

DEAR MR. SMITH,—On November 20th, 1908, across the floor of the House of Commons, you were good enough to offer of your own volition to discuss with me “on a proper occasion the whole issue as between Free Trade and Protection.” As you know, the subject is still one of great public interest, and if, with a view of enabling you to carry out your offer, you could see your way to fix “a proper occasion” at an early date, I shall be quite willing to do my best to meet your convenience. It is not, however, upon this point that I now desire to address you. My present purpose is to call your attention to a number of misleading—and, indeed, I think I may fairly add untrue—statements in your speeches on Tariff Reform. The great dearth of debating power in the House of Commons on the Conservative side during 1906 resulted in your speeches attracting an unusual degree of attention, particularly in the Liverpool district. While congratulating you on this, I venture to point out that it greatly increases your responsibility to the public and puts on you an obligation to do your best to see that your undoubted speaking abilities are not used to misquote facts or disseminate untruths. I am aware that every man is more or less the victim of his training, and that

in the legal profession which you adorn it is your duty to put the best face on your client's case. In the great public issue involved, however, in the question of Free Trade and Protection, both sides have the same client, the public; and not only is it not our duty so to arrange our facts as to mislead the jury we address, but it is our bounden duty to try and abstain from doing so. I must ask you to forgive me for presuming to address you thus, but as I have already, in a speech at the Sun Hall, Liverpool, on February 25th, drawn your attention to the points I now propose to cite, and, as no reply has been forthcoming from you, I felt it was due to you that I should emphasise the stigma under which you will lie if you continue to circulate what I complain of, without qualification or explanation. When your political opponents have, in your opinion, circulated untruths or misused facts so as to suggest an untruth, you have not hesitated to compare them to Ananias of old. Dealing with one's opponents in this manner only inflames the passions, and I do not propose to follow your example, but will simply call your attention in the clearest language to some of your errors, and rely on your sense of honour to withdraw or explain. I will not weary you with all, but take only a few important examples.

I will first give an example of the presentation by you of facts which suggests what is not true to the minds of your audience. In order to expose what you contend is the failure of Free Trade as compared with Protection, you submit, amongst other evidence, the following extract from Mr. Charles



Booth's "Life and Labour of the People in London": "The result of all our inquiries makes it reasonably sure that one-third of the population are on or about the line of poverty, or are below it, having at most an income which, one time with another, averages 21s. or 22s. for a small family (or up to 25s. or 26s. for one of larger size), and in many cases falling below that level." If, you suggested, the state of things implied in this quotation and in other facts submitted "be true of Great Britain *and not true of our greatest Protectionist rivals*, it will be necessary to ask *what difference of circumstances or policy or other fiscal difference is available as an explanation.*" (The italics are mine.) It is not necessary for my present purpose to dispute the evidence you submit as to the poverty in our country. This is so great that the question as to whether you have somewhat overdrawn the picture is relatively unimportant. I do, however, protest against your neglect to present the available facts of the same kind concerning "our greatest Protectionist rivals," which would have shown your audience that Protection has not proved itself a remedy for preventing a low standard of life—indeed, that as regards practically all the Protectionist countries in Europe, the wages of their workpeople are lower, their hours longer, and as a rule their poverty more intense. This fact is so notorious concerning such countries as Spain and Italy that you never even refer to them. Even as regards Germany, whose position is perhaps more nearly comparable with our own, whilst it may have succeeded by its Insurance scheme and other forms

of State and Municipal action in cutting off or keeping away from the public gaze certain aspects of poverty which we have in this country, the evidence we have very strongly supports the contention that her working people as a whole have not won under Protection as good a standard of life as prevails in this country.

I am not for the moment concerned with trying to prove that the failure of Germany to reach our standard is due to her Protective policy. I merely say that if you had presented the facts for Germany corresponding to the facts you present for England on this point, your case for Protection as a remedy for poverty and a low standard of life would have failed. For example, you might have put side by side with Mr. Booth's figures the facts that, according to the "Official Wages Tables of the German Imperial Insurance Bureau for 1900," "the average earnings of over six million workers only amounted to 14s. 2d. a week; four millions, or two-thirds, earning less than 15s. a week; over 85 per cent. earning less than £1 a week." It would, no doubt, be quite as reliable to generalise from these facts, which apply to six million German workers, and say that they show that 85 per cent. of the whole German workpeople earn less than £1 a week, as it is to generalise from Mr. Booth's figures, which concern London alone, and apply them to the whole of Great Britain. To retail, as you did to your audience at Chatham, a number of distressing facts concerning poverty in this country, thus enlisting their sympathy and feeling, and then, without

establishing any kind of connection by an appeal either to reason, authority, or experience, invite them to take your all-powerful "pill" of Protection, is really to degrade the political advocate to the level of a medicinal quack. I cannot, in the space of a single letter, deal as fully as I should like with this point, but I do submit to you one or two opinions of some weight which go to show that your presentation of this case is one-sided, and the conclusion you invited your audience and your readers to come to is without justification.

Our Consul-General at Berlin not long ago reported that "No statistical proofs are necessary to show the prejudicial influence exercised by the German Protective duties on the national prosperity of Germany." This is evident from the increased cost of most necessities of life. "It is just the poorest part of the population which has been most heavily burdened by this policy." Again, our Consul at Dusseldorf (Germany) reports to us: "The main features of the year 1908 were bad prices, and, in consequence, want of employment, or at least less employment, and generally less wages for the employees. . . . The unemployed question has become a burning one . . . everyone was obliged to restrict his household expenses, and the home markets became as depressed as they possibly could be."

You lead those who read your speech to believe that these things were "not true of our greatest Protectionist rivals." Professor Marshall, the eminent economist, came to the conclusion, after a prolonged study of the subject, that, "In spite of Germany's

vast technical advances, in spite of the growing energy of her people, in spite of the development of German iron ores, while those of England are running short, I believe it to be true that the real wages of the German are increasing less rapidly than those of the Englishman, and that if Germany abandoned Protection, which has now no considerable service to render her, the wages of the German would rise a great deal. To hazard a bold guess, I should expect them to rise by about one-fifth."

Surely with such evidence accessible it is more than bold of you to continue to lead your readers to believe that poverty, low wages, etc., are the consequence of Free Trade, and do not prevail with our "greatest Protectionist rivals."

Again, in order to convey the impression that a Free Trade system produced unemployment in this country, whilst Protection gave abundant employment to our rivals, you quote in your speech (which was delivered on March 26th, 1909, and revised later by you), from a report of the British Commercial Agent in the U.S.A., "That in 1905 all branches of trade and industry of this country were more busily engaged than in any previous periods in the history of the United States." Why did you select, when speaking in 1909, a report for 1905? Were you ignorant of the fact that the reports for succeeding years were already published, and that some of them told an entirely different story? Failing the official report, the columns of your Tariff Reform organs would have enlightened you. For example, the *Morning Post* on April 8th, 1908, pointed out that

“More than 4,750,000 mechanics and labourers are now unemployed in the United States.” “There is also a general decrease in wages of 20 per cent.” Or, later still, the *Times* of October 2nd, 1908, pointed out that in the U.S.A. “The total number of persons unemployed entirely, or in part, in the country cannot be less than from three to four millions.” Why did you not present these later facts to your Chatham audience? Such methods may be excused in the case of an ordinary speaker, but are really unpardonable in the case of one, like yourself, accustomed to weigh evidence with care and give each part its true value.

You also proposed a tax on motor cars and parts, which you thought might possibly keep out half the present imports of motor cars, and if it did, you say in your speech that it would probably result in additional employment for 20,000 men, at £1 a week, in making the cars so excluded. Do you then deny, what Mr. Balfour said was a “mathematical certainty” which “did not admit of controversy,” that goods are paid for by goods or their equivalent? If you do not deny this theory, which is accepted by every competent thinker on the subject, how can you bring yourself to keep from your audience and readers the fact that whilst you might possibly create for a time employment for motor car workers, you diminish the market for those now engaged in this country making the goods which go to pay for the cars? In short, as Lord Hugh Cecil put it, is not the claim that the policy you recommend will make more employment mere “quackery?”

Hitherto I have confined myself to showing how you have, in my opinion, used facts in a misleading manner. I now invite your attention to statements which are absolutely untrue in themselves. In the *Birkenhead News* of October 7th, 1909, you are reported as saying "That the markets of all the important countries being closed to us, only a negligible quantity remained outside the Colonies. The Colonial market we still have access to." What are the facts? I quote, in order to absolutely avoid even the semblance of partisanship in the preparation of figures, from an article in the *Statist* of February 12th, page 315: "It is interesting to note that in the period from 1903 to 1909 the great expansion in our exports of British produce and manufactures has been to foreign countries, and that the expansion in exports to our own Colonies have been relatively small. To foreign countries the expansion has been nearly 40 per cent. in the six years, to India and to the Colonies the increase has been only 14½ per cent." The following figures taken from the *Statist* show the exports of produce and manufactures of the United Kingdom:—

EXPORTS OF PRODUCE AND MANUFACTURES OF U.K.

Year.	To Foreign Countries.		To India and Colonies.		Total £
	£	% of Total.	£	% of Total.	
1909	251,120,000	66.4	127,259,000	33.6	378,379,000
1908	250,339,000	66.4	126,765,000	33.6	377,104,000
1907	287,891,000	67.6	138,144,000	32.4	426,035,000
1906	254,234,000	67.7	121,341,000	32.3	375,575,000
1905	216,379,000	65.6	113,438,000	34.4	329,817,000
1904	188,773,000	62.8	111,938,000	37.2	300,711,000
1903	179,653,000	61.8	111,147,000	38.2	290,800,000

With these facts before you, how do you defend your assertion? I will only trouble you with one more point, which seems to me the most unpardonable of all. Your boldness seems to carry you on until you become almost abandoned in the use of words to justify your case. In your Chatham speech you said: "Perhaps, gentlemen, as we are always accused of economic heresy, I may appeal at this point to one of the fathers of political economy, John Stuart Mill, who said: 'A country cannot be expected to renounce the power of taxing foreigners unless the foreigners will in return practise towards themselves the same forbearance. The only mode in which a country can save itself from being a loser by the *revenue* duties imposed by other countries on its commodities, is to impose corresponding *revenue* duties on theirs.' Now mark (you say) how our experience confirms Mill's prescience." What other conclusion could your working-class audience at Chatham, or the readers of your published speech, draw from this than that Mill was in sympathy with what is now the Tariff Reform position, and that this quotation, given without explanation, went to support that conclusion. As indicated in the words I have emphasised, Mill in this sentence was referring to *revenue* duties only, and as you must know perfectly well, *revenue* duties do not conflict with Free Trade principles. A leading feature of the proposals you and other Tariff Reformers seek to secure public approval for is the substitution of *protective* duties for *revenue* duties. How, then, can you bring yourself to continue to circulate a quotation from a

great economist's work as being in defence of your theory, when the intention of its author, as judged either by the sentence itself or coupled with the context, was to condemn your principles and defend the non-protective system of taxation? It is charitable to assume that you took your quotation just as it appears in the "Tariff Reform Handbook for Speakers," without reading your Mill, a course I would strongly advise you not to follow in future when making up your speeches. If you had read Mill, as I trust you will now see your way to do, you will find that a few sentences before he used the words you quoted he says: "*A protecting duty can never be a cause of gain but always and necessarily of loss to the country imposing it just so far as it is efficacious to its end.*" Again, the very next sentence to the one you quoted reads: "Only it [the country imposing revenue duties] must take care that those duties be not so high as . . . to put an end to the importation altogether, *causing the article to be made either at home or imported from another and dearer market.*"

In other words, the *revenue* duty implied in the sentence quoted by you must, according to Mill, on no account be used to achieve the main object you have in view in your speech, viz. to cause the article to be "made at home," and yet you do not hesitate to use the name of Mill in such a way as to convey the idea that he favours your principles. Tariff Reformers have done strange things in order to win votes, but this action of yours, due, I am sure, to ignorance rather than intention, exceeds any-



thing which has been brought to my knowledge. I hope and believe that, now your attention has been drawn to your blunder, you will in justice to yourself, as well as to the name of an eminent man who devoted much of life to proving that the policy you are now advocating was wrong, cause the copies of the speech you are circulating to be amended.—

Yours faithfully,

HENRY VIVIAN.

House of Commons, March 17th, 1910.

## SECOND LETTER

DEAR MR. SMITH,—On April 13th, in the Sun Hall, Liverpool, you replied to my criticism of your Tariff Reform speeches. According to the *Liverpool Courier* you gave a “conclusive answer” and a “stinging retort to Mr. Vivian.” It is only to be expected therefore that I should make some reply. In the course of your address you prefaced some personal observations not very complimentary to myself by the remark that you did not wish to hurt my feelings. I assure you that you have not done so. My feelings would have been hurt if you had shown your audience that I had contrived to support my case by statements which I knew to be untrue. As it is, I do not find that you challenge one single fact I alleged as distinguished from matters of opinion. I do not wish to hurt your feelings, but I am compelled to point out that you make no withdrawal of your assertion “That the market of all the important countries being closed to us, only a negligible quantity remained outside the Colonies,” or of what was in substance a claim that John Stuart

Mill was favourably disposed to "your policy of Tariff Reform," notwithstanding the fact that I proved in the most definite way that on these two points you were wrong. I gather that on the general question you are willing to reply to me further at Westminster some day, but surely it is not right to put off a day longer than is possible the recall of what I presume you do not dispute are inaccurate statements made by you on important points. In a court of law you would, as you know, be compelled to drop statements so unfounded at once. Why should you submit yourself to a less rigid standard of truth and conduct when presenting issues in which the public interests are involved, than when purely private interests are at stake? Again, it is quite a small matter, but it illustrates what appears to be an unfortunate characteristic with you, the neglect of accuracy. You say, apparently by way of complaint, that I should venture to visit your constituency; that you "have spoken several times" in my constituency, and, so far as you know, "you have never even mentioned" my name.

Have you, as a matter of fact, visited Birkenhead and made a single political speech since I have been candidate or Member without attacking me? Why, you carried it right up to the day of the poll, when you declared that "Vivian was a beaten man," and that "Traitors ought to be turned out." I do not complain of your visiting Birkenhead and controverting my arguments. If I am wrong it is well you should do so; but I do venture to suggest that you should reflect a little on your own record in the

matter of accuracy before again labelling your political opponents with the odious term "Ananias."

I now pass to the substance of your latest speech, which is said to be a "conclusive answer" to me. You say, "We have in England 1,100,000 paupers, maintained by those of us who pay our own way at an annual cost of 17 millions (shame)." I do not know where your number is taken from, but have no doubt that, coupled with some explanation by you as to time and place, it is correct. Surely such a figure should not be used in the way in which you used it without some analysis? The return presented to the House of Commons of July 1st, 1909, showed that there were in England and Wales 904,028 paupers of all kinds. Of these 242,546 were children and 115,163 were insane; of the remaining 546,319, which included men and women, 412,133 were "non-ablebodied," most of them probably very aged and crippled, leaving 134,186 men and women ablebodied paupers. I have no doubt that a further analysis even of these last figures would give us a greatly reduced number for possible workers. I take it that it is not intended to increase employment to such an extent as to draw into the workshops the insane, the children, and the crippled paupers, although with Mr. Bigland's wonder-working scheme of one man finding work for five, one never knows where Tariff Reform is likely to land us. Don't you see how different the picture would be if an analysis of your million odd paupers were given? I find that the return referred to shows that whereas our paupers were 38 per 1,000 in 1872, the great and prosperous

year since which, according to Mr. Chamberlain, we have made no real progress, in 1908 they were 25 per 1,000, or a drop of 30 per cent. This is a fact worth noting.

In reply to my point that in international exchange goods must be paid for with goods or their equivalent, you say, "I never supposed they must be paid for with words." Perhaps not; but if you admit that international trade is an exchange, which your colleague, Mr. Bigland, denies, how do you defend your claim that by taxing imported motor cars, thus keeping out, as you think, possibly half the present import, you will make additional work for 20,000 people in this country? The people engaged in making the goods which now go out in exchange for the cars will surely not have this function to perform. The Free Trader believes that cars should be made in England if they can be made here best, but suggests that the customers who pay should be the judges of this, not a State official. This ensures on the whole that international as well as national trade will take place under conditions which give the buyer the best and most for his money, whilst at the same time not lessening the volume of demand for labour. It also keeps our workers and employers up to date by making efficiency the test. The motor industry, strange to say, is perhaps one of the best instances of the healthy effect of Free Trade. The *Morning Post* (a leading Tariff Reform organ) told us a short time ago that, "As far as the Eastern hemisphere is concerned, the heart of the motoring industry has shifted wholly from France to Britain."

To-day, if you wish to be a very fashionable Frenchman, it is the thing to possess a British-built motor car. The pioneer British motor factory is supplying machines by hundreds to France, but even so, it can keep pace only with a comparatively small percentage of the orders offered from that country.

"I affirm," you said on the question of taxing the foreigner, "that the majority of the classical economists in England have assented to this view that some compensation can be obtained from foreigners for the use of our market. What is possible is to shift a considerable burden of taxation on the foreigner in the manner in which for the last thirty years they have been shifting considerable burdens on us." Will you give a sample list of the classical English economists who hold this view? Some fourteen of the leading economists of the country, including Professor C. F. Bastable, Professor Edgeworth, Professor Gonner, Professor Marshall, Professor Nicholson, and Professor Smart, in 1903 issued a manifesto in defence of Free Trade in the course of which they said: "It is very improbable that a tax on food imported into the United Kingdom would result in an equivalent—or more than equivalent—rise in wages. The result which may be anticipated as a direct consequence of the tax is a lowering of the real remuneration of labour. The injury which the British consumer would receive from an import tax on wheat might be slightly reduced in the possible, but, under existing conditions, very improbable, event of a small portion of the burden being thrown permanently on the foreign producer."

Professor Marshall, in his Memorandum on the subject, said: "It is my opinion that, in nearly all important cases, they [taxes on imports] are borne almost exclusively by the consumer." "Possibly Germany and even Austria-Hungary may be able to throw a small part of the burden of their import duties on countries lying to the east of them. And yet Germany cannot throw on England any share of the burden of her own import duties. And what is true of Germany with regard to England is true of England with regard to the whole Western world. There is thus no considerable exception to the rule that England has now to pay the burden of her own import duties."

Do you know of anything comparable in weight and numbers with this testimony issued by English economists to justify your affirmation? If not, ought you to make the claim you do? Quite apart from the opinion of economists, experience is practically universal against your contention. The effect of the German corn duty is notorious. Even in the United States, where one would have thought taxes on corn, meat, and similar articles, could have the least injurious effect because of the enormous agricultural areas within its own boundary, the taxes on imports are being felt very severely. Messrs. Bache and Co., the well-known New York Bankers, recently pointed out in a circular that "The protest and dissatisfaction among the people at the high cost of living continues. This cost had steadily risen for the last twenty years and has grown to huge figures. A pampered class, the political rulers, big and little,

are daily adding to the expense of living, through high salaries, wasteful contracts, and graft generally, thus helping to sap the incomes of millions of toilers. These rulers are the drones who infest the hives, steal the honey, and monopolise the pleasures at the expense of the millions of sober workers who slave from morning to night without adequate compensation or share of the joy of living."

In a leading article the *Commercial and Financial Chronicle* of New York says: "The object of these protective duties is to shut out foreign products, and the tendency and effect is to raise the level of prices at home. Every householder can testify to the fact that he has to pay more for practically all articles of food he buys than at any time since, perhaps, the Civil War. In these circumstances the lot of the wage-earner, with his limited stipend, is a particularly hard one. Take the case of wheat and flour, the constituents of bread—'the staff of life.' Speculators have run up the price to inordinate figures, and are holding it there. In the interest of the entire community we will make the bold suggestion that wheat, at least, should be put on the free list."

The *Wall Street Journal*, New York, recently said in an article: "Underlying the superficial current of business there is still the tremendous problem of the high cost of living. It is the explanation of dulness in many lines of business. It is the cause of the broad unrest among the workers."

Mr. Byron Holt, in the April number of *Everybody's Magazine*, New York, said: "In the past

thirteen years the cost of living in the States has advanced more than 61 per cent. In the past eighteen months it has advanced 19½ per cent., in the past year 11·2 per cent., and in the past four months 7·4 per cent." The figures are based upon the prices of ninety-six articles in general consumption. He says: "To some these figures mean longer hours of work, shorter rations, to others starvation or shame, to others loss of income and profits, to still others loss of power."

The Hon. Sydney Fisher, the Canadian Minister of Agriculture, in the course of an address at the Canadian Club of Ottawa, said: "The statement was made the other day in Chicago by a representative of English labour that the English labourer could buy his daily bread in London, Liverpool, Birmingham, and Manchester cheaper than the Chicago labourer could buy his in Chicago. The statement was absolutely true, and I can emphasise it a little further by telling you that the householders in London, Liverpool and these other large cities in England, can buy their bread (made out of Canadian wheat) considerably cheaper than the householders in Ottawa, Montreal, or Toronto can buy their bread made out of the same wheat."

On the back of the flour contracts issued by Joseph Rank, Ltd., flour millers and Tariff Reformers, of Hull, to their British customers, these words appear: "Should a duty on wheat be imposed, repealed, or varied, the price per cwt. of all flour delivered under this contract is at once to be increased or reduced by the said amount as the altera-



tion of the duty per cwt. on wheat whether the wheat used in its manufacture shall have been affected by such alteration or not!"

Again, take the *Western Morning News* (a Tariff Reform organ), which some time ago, by way of apology for using foreign-made paper, said: "The fact is that up to about fifteen months ago all the paper used in printing in this office was British-made. Something very like a 'ring' among British paper-makers at that time put up the price of British-made paper to such an extent that it was impossible to continue to buy from them without a serious addition to the cost of production of this paper. English newspaper proprietors, therefore, in order to protect themselves, were forced to import paper from abroad so long as the operations of the paper-makers' combination continued to maintain the price of British-made paper at a prohibitive price."

With this kind of evidence, the rule and not the exception, how can you continue to assert that the Tariff Reform programme, with its attempt to exclude foreign products and its taxation of corn and meat and dairy produce, will "shift a considerable burden of taxation on the foreigner." Where and what is your case? Where is the evidence, or what is the authority on which you base your contention? Are we not entitled to some better proof from one who, in effect, openly proclaims himself, as you did in your speech, a political success?

"We are going," you say, "to import more and more untaxed raw material, and we are going to

export more and more manufactured goods made by the working men of this country."

Are not practically all the articles we export made by the working men of this country? And what do you mean by raw material? The Tariff "Reform" Commission, appointed to draw up a scientific scheme for a Tariff Reform Government, proposes a 2s. per quarter duty on wheat, barley, oats, rye and maize; flour 25s. a ton; animals and meat, dairy produce, poultry, eggs, potatoes, hay and straw 5 to 10 per cent. ad valorem. Such things make a large proportion of our present imports. Are they not the raw material of the home, and if not why not? We say they are, and that you propose to tax them. Your party won many agricultural seats by the promise of taxes on these articles, but you seldom refer to them in your addresses; you appear to prefer to talk about cycles and motor cars. Farmers and agricultural landlords do not support Tariff Reform because they hope you will tax cycles and motor cars.

You ask how it is we free importers never "deal with the admitted and humiliating breakdown" of Mr. Cobden's predictions. Don't you think you might on this point usefully spend a little time in reading up the "predictions" of your Tariff Reform leaders, made only six or seven years ago? Seldom has experience falsified the predictions of a political party more strikingly.

Speaking at Newcastle on October 20th, 1903, Mr. Chamberlain said: "It is to our exports, I will not say entirely, but it is mainly to our exports that

we must look for the test of the progress of our trade." Then, taking the great boom year of 1872 as his starting-point, he sought to show that our export trade was practically stagnant, warning us that unless we promptly adopted Tariff Reform our fate was sealed. These were his figures:—

						Exports in millions of £.
1873	...	...	...	...	...	255
1883	...	...	...	...	...	240
1893	...	...	...	...	...	218
1902	...	...	...	...	...	283

"Look," cried Mr. Chamberlain; "whilst our population has increased 30 per cent. our export trade has increased only  $7\frac{1}{2}$  per cent." Even whilst he was speaking his case was vanishing, as the following figures show:—

						Exports in millions of £.
1903	...	...	...	...	...	290
1904	...	...	...	...	...	300
1905	...	...	...	...	...	320
1906	...	...	...	...	...	375
1907	...	...	...	...	...	*426
1908	...	...	...	...	...	377
1909	...	...	...	...	...	378

\* Equal to 50 per cent. increase on 1902.

Did ever a system vindicate itself by the test of its opponents more completely or promptly?

There was a drop during the slump of 1908, but the end of 1909 saw a revival, and 1910 promises to be another record exceeding that of 1907.

At Greenock, October 7th, 1903, Mr. Chamberlain said: "The argument which I use, and which I defy the *Glasgow Herald* to contradict—(cheers)—is that since these tariffs were raised against us our exports to the countries which raised them have been continually decreasing."

Again, he said: "While our exports to them have continually been decreasing, their exports to us have been continually increasing."

What are the facts?

EXPORTS OF BRITISH MERCHANDISE IN MILLIONS OF POUNDS.

	1904	1905	1906	1907	Percentage Increase in 3 years.
Six countries with high tariffs: Germany, France, Russia, Italy, Austria, and Spain ... ..	63	68.7	80.8	89.5	58
The United States	20.2	23.9	27.7	30.9	53
Other Foreign Countries ...	102.5	123.7	145.7	158.3	50.3
Canada, Australia, New Zealand ...	34.2	35.2	41.3	49.9	45
India ... ..	40.6	42.9	45.1	52.1	28
Other British Possessions ...	31.1	36.3	34.8	35.4	13.8

Our exports to Germany alone have increased 69 per cent. in four years, whilst our imports have

grown by 20 per cent. only. We export in manufactured goods per head of the population £6 12s., Germany £3 8s., France £3 2s., U.S.A. £1 18s. Surely it is not the Free Trade party at which your charge of falsified predictions should be levelled.

You said at your meeting: "Mr. McKinley introduced a tariff which has done more than anything else to injure our greatest staple industries." Which are the great staple industries you referred to? The McKinley tariff was specially directed against the tin-plate trade. With what result?

Our average exports of tin-plates have been as follows:—

1881 to 1890	...	6½ million boxes.
1891 to 1900	...	7 million boxes.
1901 to 1906	...	8¼ million boxes.
1907 to 1908	...	9½ million boxes.

This gives practically a 50 per cent. increase.

America was our largest customer for tin-plates before the new tariff; she is our largest customer to-day.

Or take from the return presented to the House of Commons(1904-8) the value of tin-plates exported:

I.—*From the United Kingdom.*

Years	To the United States	To all other destinations.
1904	... £890,406	... £3,705,162
1905	... £796,626	... £3,770,358
1906	... £797,064	... £4,139,804
1907	... £833,880	... £5,083,224
1908	... £885,359	... £4,594,716

II.—*From the United States.*

Years (ended 30th June).	To the United Kingdom.	To all other destinations.
1904 ...	Nil. ...	£63,944
1905 ...	£43 ...	£183,459
1906 ...	£1,867 ...	£196,831
1907 ...	Nil. ...	£161,782
1908 ...	Not available ...	£272,767

It is obvious that, whilst not shutting us out, she has shut herself in, and that in our home market she is not in the running.

Is it iron and steel goods? For I find that in 1908 the exports were:

Great Britain ...	...	£90,000,000
Germany...	...	£50,000,000
U.S.A. ...	...	£40,000,000
France ...	...	£9,000,000

Is it cotton manufactures? For I find that in 1908 the exports were:

Great Britain ...	...	£95,000,000
Germany...	...	£19,000,000
France ...	...	£12,000,000
America ...	...	£5,000,000

Or is it shipping? Surely it cannot be, for we do half the whole world's shipping trade.

Is it woollens? Why, our people are working almost day and night to cope with their orders, as they are in the motor-car industry, and it is practically

the same in the boot and shoe industry and engineering. Even in shipbuilding a great revival is in full swing.

Where, then, are the great "staple industries" which the McKinley tariff has injured?

It is important to bear in mind, when comparing the efficiency of our Free Trade with Tariff "Reform" abroad, that we have no monopolies to help us, and that we have a much smaller population than Germany or the United States, whilst they have a greater control over iron and coal. Their educational system is equal, if not superior, to ours, and there is no deficiency of capital or organising ability. Will you, then, tell me what it is that gives us the great supremacy in the branches of industry and commerce to which my figures refer?

Further, why do we send twice as much produce to China as all Europe combined? Why do we send three times as much to India as all the rest of the world put together? Tariff "Reform" countries have the same opportunities as we have to get into these markets. Again, if you agree, as you appear to do, that every import must develop a corresponding export, then surely the more easily the imports come in the more inevitable it is that the exports will go out.

To welcome imports is to encourage exports. A tax which checks the inflow, as a Tariff Reform tax would and is intended to, would check the outflow or export trade.

It seems obvious, therefore, that you cannot increase the volume of trade by your proposed checks,

and if you sacrifice volume to change in the kind, there is no evidence to suggest that you can improve it.

In your speech you referred to the U.S.A., and in effect asked why should it adhere to Protection if it is such a bad policy. I answer by saying that when once you have entrenched interests behind tariff walls, their power is so great that they make it worth the while of legislators to be subservient to them to the neglect of wider national interests. Perhaps the opinion of Mr. Bayard, once United States Ambassador to Great Britain, may be helpful to you on this point. On November 7th, 1895, at the Philosophical Institution, Edinburgh, he said :

“In my own country I have witnessed the insatiable growth of that form of State Socialism, styled ‘Protection,’ which, I believe, has done more than any other single cause to foster class legislation and create inequality of fortune, to corrupt public life, to banish men of independent mind and character from the public councils, to lower the tone of national representation, blunt public conscience, create false standards in the popular mind, to familiarise it with reliance on State aid, and guardianship in private affairs, divorce ethics from politics, and place politics upon the low level of a mercenary scramble.”

If for no other reason than that suggested in the remarkable indictment of Tariff Reform contained in the words I have just quoted, I think it desirable we should do all we can to prevent our country adopting the policy, and I trust that an increasing number will agree with this view. At any rate, I



invite you to give some better justification than you have for making the vital change you advocate, which seems to stand condemned on account of the moral degradation it would inflict on our public life, no less than the injury it involves to our great trade and commerce.—Yours faithfully,

HENRY VIVIAN.

House of Commons, June 9th, 1910.



# FREE TRADE

## ADDRESS

Delivered to the Dundee and District Free Trade Association, 20th Jan., 1908, by  
**The Rt. Hon. LORD AVEBURY**,  
Lord Rector of St. Andrews, F.R.S.,  
D.C.L., LL.D., Pres. Soc. Ant., For.  
Sec. R. Acad., Germ. Order Pour le  
Mérite, Com. Legion of Honour.



CAXTON HOUSE, WESTMINSTER, S.W.

*February, 1908.*



## FREE TRADE.

THE world has been so arranged by Providence that different countries have different climates, soils, minerals, plants, and animals. The tropics produce certain fruits which will not ripen in the open air with us, while we, on the other hand, are rich in coal and iron. We used to make wine, but we find it better to buy the clarets and champagnes of France, the hocks of Germany, the port and sherry of Portugal and Spain, paying for them with coal, iron, cotton and other goods.

Even in one great article, such as iron, there are different qualities—in the first place, of ore, and even of the metal itself; so that we import certain classes of iron and export others—for instance, from and to Germany.

Some differences are even more subtle.

The character of the water is supposed to give some places an advantage as regards certain manufactures.

The dryness or dampness of the air has important consequences. For the finer qualities of cotton thread the air of Lancashire is said to be especially suitable.

Moreover, when an industry has flourished for a time in one district, the inhabitants acquire special gifts and aptitudes. The excellence of claret

depends partly, no doubt, on the climate and soil of France, but much also on the skill of the French workmen. The people of Lancashire have acquired remarkable skill in cotton manufactures; Yorkshire is celebrated for its woollens; Dundee for jute.

Differences such as these have formed the basis and constitute the advantage of Commerce. The products of one country are exchanged for those of another. Goods are paid for in goods.

Of course, there is one drawback in Commerce, namely, that the transport involves a certain expense. It is evident that goods will not be sent from one country to another unless the cost of transport is covered by the difference of price.

Hence, it has always been considered an advantage to improve the means of communication, to construct roads, build harbours, and, more recently, railways, in order to promote Commerce.

But if the Protectionist view is correct, this is a great mistake. Bad roads, the absence of railways, a stormbound coast, the absence of harbours are a merciful dispensation of Providence to protect native industry by keeping out foreign goods.

It follows logically from the extreme Protectionist view that the more unsuited an object was to our climate and soil the greater the advantage of producing it. Tropical fruits, for instance, such as oranges or bananas, would be specially important, because they would provide so much employment for our people!

Let us suppose for a moment that the Hague Conference had succeeded in abolishing armaments, and that duties were no longer necessary for revenue. Would anyone seriously suggest that they should be imposed in order that by the imposition of barriers Commerce might be improved? Germany does not suppose she would improve trade by erecting barriers between Saxony and Prussia. Why, then, between Germany and Switzerland or Austria? Across the Atlantic no one would propose to improve the trade of Massachusetts or New York by imposing duties between them. Then why between them and Mexico or Canada?

We know the ideal of Free Traders—viz. that each country should produce those commodities for which it is best suited, and with them purchase the products of other countries.

But what is the ideal of Protectionists? Suppose they succeeded in protecting all industries by sufficient duties. Of course that is an extreme case, but in such an economical paradise nothing would be imported. We should grow or manufacture everything for ourselves. Instead of Spanish we should have hothouse oranges, for those who could afford them; cowslip wine instead of claret or champagne, and so on.

Imports are the price we receive for our exports. They are the price at which we sell them. But, if we get nothing from over the water, how

about our exports? Do Tariff Reformers propose that we should give them away? If not, the results of this economical Elysium would be that our exports would cease. Commerce would be at an end, and Britons must content themselves with what Britain can produce. It is evident that, if carried to its logical conclusion, Protection of British industry is synonymous with the destruction of British Commerce, and every step in the direction of Protection, so far as it goes, has the same tendency.

Mr. Balfour, speaking in the House of Commons last Session (May, 1907), said, and I think said wisely:—

“If by Protection is meant—and it is probably the most accurate scientific meaning of that much abused term—a policy which has for its object the diverting of the trade and commerce of a nation or of the world from its natural channels by artificial legislative means, that has never been, and is not now, any part of the policy which I recommend.”\*

When Mr. Chamberlain took up this question with his usual energy and ability, he did so on two grounds:—

1. Because in his judgment our Commerce was dwindling.
  2. In order to draw us more closely to the Colonies.
- Let us consider both of these arguments.

\* 1907, Hansard, p. 837.



As regards the first, we have had four years' experience. Have they borne out the Protectionist apprehensions or our confidence in Free Trade?

### IS OUR TRADE SUFFERING?

Mr. Chamberlain told us in vigorous and picturesque language that "agriculture, as the greatest of all industries of this country, has been practically destroyed. Sugar has gone; silk has gone; iron is threatened; cotton will go! How long are you going to stand it? At the present moment these industries and the working men who depend upon them are like sheep in a fold. One by one they allow themselves to be led out to slaughter, and there is no combination, no apparent prevision of what is in store for the rest of them." \*

Now four years have passed, and how do we stand? No one will allege that agriculture has ceased.

The Exports of the goods specially mentioned by Mr. Chamberlain from the United Kingdom in 1902 and 1907 were:—

	1902.	1907.
	£	£
Silk.....	1,100,307	2,010,796
Wool .....	24,237,826	37,368,989
Iron and Steel	29,214,100	47,235,177
Cotton .....	72,458,100	110,438,231

\* Speech at Greenock, 7th October, 1903.

The total trade of the United Kingdom has been as follows:—

	£		£
1895.....	702,522,065	1905.....	972,616,444
1900.....	877,448,917	1907.....	1,072,108,772

But as Protectionists attach more importance to Exports than to Imports, it may be well that I should give the Exports separately. They are as follows:—

	£		£
1895* ...	226,000,000	1905.....	330,000,000
1900.....	291,000,000	1907† ...	426,205,000

It cannot then be alleged that a change is necessary, because our Commerce is suffering. On the contrary, it has expanded marvellously.

We cannot expect an increase on this scale to continue indefinitely, and must be prepared for bad times to return.

But it is often said that Protectionist countries have prospered even more. Is this so?

Let us compare our Commerce with that of the three principal Protectionist countries.

	EXPORTS.			
	United Kingdom.	United States.	France.	Germany.
	£	£	£	£
1900‡	291,000,000	286,000,000	164,000,000	227,000,000
1907¶	426,000,000	395,000,000	221,600,000	338,000,000
Increase	135,000,000	109,000,000	57,600,000	111,000,000

\* Stat. Abs. United Kingdom (Cd. 3,691), 1907, p. 63 and table 46.

† Board of Trade Return, United Kingdom, 1907, 7, XI., p. 5.

‡ Stat. Abstract Foreign Countries, 1907, p. 58.

¶ Trade Return, 1908, 69, XI., p. 5.

Thus, then, with a much smaller population than either Germany or the United States, our increase was larger than theirs, and with a population about the same as that of France it is more than double.

Moreover, it is well maintained up to the very last year. In 1907, as compared with 1905, the increase of France was 13.9 per cent., of Germany 19.8 per cent., of the United States 18.5 per cent., and ours 29.2 per cent.

Let us look at it from one other point of view, and contrast Commerce and Population.

	1907.	
	Population.*	Exports.†
Under Free Trade.		£
Britain .....	43,659,000	426,205,000
Under Protection.		
France .....	39,250,000	221,681,000
Germany .....	61,102,000	337,722,000
United States .....	84,154,000	394,881,000

Thus, if we contrast our Exports with those of the three principal Protectionist countries, we find that with half the population of the United States we export £31,324,000 more; with 17,000,000 fewer people than Germany we export £88,483,000 more; with 5,000,000 more people than France we export £204,524,000 more.

\* Trade Return for Foreign Countries, 1907, 69, p. 5.

† Trade Return, 1908, 69, XI.

The Exports of Germany in 1905 were £4 14s. 3d. per head; of France, £4 16s. 11d.; of the United States, £4 os. 2d.; ours, £7 12s. 9d.!

And yet we are seriously asked to abandon our system and adopt theirs!

Look again at our trade with Protectionist countries as against theirs with one another:—

IMPORTS INTO FRANCE FROM THE FOLLOWING COUNTRIES :

	1905.	£
United Kingdom .....		23,699,720
Germany .....		19,089,400
United States .....		20,490,960

IMPORTS INTO THE UNITED STATES FROM THE FOLLOWING COUNTRIES :

	1905.	£
United Kingdom .....		35,162,400
Germany .....		23,653,600
France .....		17,966,000

We are continually told that Germany is progressing more satisfactorily than we are because her Commerce is increasing per cent. more than ours. The fallacy of this argument is well pointed out by our Consul-General for Belgium, Sir Cecil Hertslet, in his last Report (1906) to the Foreign Office on the Shipping of Antwerp.

He says that statistics might "give rise to the impression that the tonnage of German vessels entering Antwerp is rapidly overhauling that of

British vessels. Take, for the sake of example, the figures of British and German shipping." Taking percentages it might seem that German tonnage is increasing greatly in comparison with British tonnage. "If, however, the statistics are taken," he says, "by actual figures rather than by percentage, it will be seen that not German but British shipping is in reality increasing the more rapidly. In eighteen years the twelve months' total of British shipping has increased by 3,243,486 tons, while German shipping has only increased by 2,352,800 tons; it is obvious, therefore, that German shipping can never overtake British shipping at Antwerp at the present rate of progress."

So far, then, as figures and the state of our Commerce are concerned I submit that there is no case for a change. But Mr. Chamberlain has pointed out that figures are not conclusive, though useful as illustrations.

The Commerce of a Free Trade country might fall off from various causes—war, pestilence, the exhaustion of mines, etc.—without affecting the argument for Free Trade.

## ON WHOM DO DUTIES FALL?

Now in considering this question one most important problem is: On whom do the duties fall? On this vital question Protectionists are very in-

consistent. They admit that the people of the importing country pay the duties, and yet they allege that we can benefit the importing country by imposing them.

Free Traders, on the other hand, are quite consistent. We maintain that as a rule—in 999 cases out of 1,000—I might say in 9,999 out of 10,000—the consumer pays the duty. This may, I think, be clearly brought out if we consider the course, say, of the wheat trade.

When wheat comes, say, from Argentina, the vessel “calls for orders” at Queenstown, Plymouth, Havre, Southampton, or some other European port. The merchant carefully compares the prices at the principal markets, calculating all the expenses—freight, insurance, port dues, etc., including of course the Customs duty—to a fraction. If he finds that the highest price, including the duty, is at Berlin, to Berlin it goes; but it will not go to Berlin until the price there has risen to cover all the charges, including the duty. If, after allowing for all other charges, the price in London and Berlin is the same, the wheat will, of course, be sent on to London. There being no duty in England, and assuming the German duty to be 12s. 2d. a quarter, no wheat will go to Berlin until the difference in price exceeds, or at least equals, the German duty. It is surely, therefore, obvious that the consumer pays the duty. As a matter of fact, the price of wheat in Berlin

as compared with London rules rather more than the duty.

The *Economist*, on November 30th, 1907, pointed out that: "While the Berlin workman has to pay 6d. for a 3-lb. loaf of black bread, the London workman gets a 4-lb. loaf of white bread for 5½d."

But then it is often said that the price in France, where there is also a duty, is sometimes no higher than in England. The explanation is really very simple. The Board of Trade\* point out that "the degree of dependence of France on foreign wheat supplies varies very greatly from year to year."

Even when the importation was at a minimum the price in France was as a rule substantially above that in England. When, however, France had a bad harvest, and consequently a considerable importation, the price was enhanced even more than the amount of the duty. The average difference of price was, in fact, 2s. 5½d. more than the duty.

But then we are told that when the late Government imposed a tax of 1s. a quarter, the price of bread was not raised, and when it was taken off again the price did not fall. Here, again, the explanation is very simple. The harvest affects the price by several shillings. If a tax of 1s. a quarter is put on, and there is a good harvest, the harvest affects the price by perhaps ten times the amount

\* Memorandum, 1902.

of the tax, and it is quite possible, therefore, that even though a tax be imposed the price may fall.

I have said that even our opponents admit that the consumer pays the duties.

They propose to omit maize and bacon from the suggested duties. Why do they do so? Because maize and bacon are the food of the very poor. This is a clear admission that the consumer pays them. If the foreigner pays them why not impose them?

A defeated Unionist candidate for one of our Southern Counties said to me recently that he should never stand again as a Protectionist. The labourers and artisans protested against duties on corn; the lawyers and doctors, clergymen and schoolmasters, complained that they would have to pay more for their food and clothing, for houses and books, and, on the other hand, would gain nothing; even the farmers, except the comparatively few who grew wheat for sale, complained that they would lose more than they would gain.

And how about manufacturers? I was talking to a partner in one of our greatest shipbuilding firms—a man who had been a Liberal Unionist, but had gone over at the last election.

“How could I help it?” he said. “My business depends on cheap iron and cheap materials generally. At present we have the shipbuilding of the world. Neither the United States, nor Germany, nor France can compete with us because they are handicapped



by Protection. If our materials were taxed we should be ruined, and thousands of our men thrown out of employment."

I have shown, then, how Germany and France and the United States injure themselves by their Protective policy. No doubt a few gain by it, but it is estimated that not more than 5 per cent. of the population do so. The other 95 per cent. pay more than they need for the necessaries and comforts of life. So far as we are concerned, it is by no means clear that we should benefit if countries producing goods similar to ours were to adopt Free Trade. They would certainly become much more formidable rivals.

Then we are continually told that the new duties are to be kept low. That again presupposes that the consumer pays them. If the foreigner pays them, why keep them low? The higher they are the better.

This retrograde policy is often supported as a means of attacking the protective policy of foreign countries. But I have no hesitation in affirming that it has greatly strengthened the Protectionist party in foreign countries and in our Colonies. They naturally point with exultation to the fact that Free Trade is being attacked even in the country of Peel and Cobden and Bright.

Senator Pulsford, a leading Australian Free Trader, tells us that: "If supporters of Preference

in the United Kingdom could but know how they have strengthened the barriers that exclude British goods in Australia, and probably throughout the world, they would feel both sorry and ashamed."

It is, I think, clear that we have benefited by our Free Trade policy.

But now let us endeavour to analyse the effect of Protection on one of the most prosperous Protectionist countries—namely, Germany.

### EFFECT OF DUTIES ON TRADE.

The Germans are men of our own race—pains-taking, hardworking, intelligent, and as well educated as, if not commercially better than, we are.

The Gilchrist Thomas process, moreover, has rendered much of the German iron ore for the first time available, and thus given an immense stimulus to their iron industry.

The Germans are nearly 18,000,000 more than we are—almost half again as numerous—but their exports are much lower.

German manufacturers complain bitterly, and with reason, of the favour shown to certain trades, and the unfair disadvantage at which others are placed. The *Halbzeugerbraucher*, for instance, the organ of the consumers of semi-manufactured steel, has issued a statement in which, after quoting the low prices charged by the Steel Union in the foreign market, it says:—

"Buyers of German semi-manufactured steel, that is, the foreign rolling mills, are thus, by means of this supply of the German raw material, placed in a position to dispose of the rolling products and finished goods at such low prices that the German export of the same products is handicapped to an extraordinary degree—in fact, made almost impossible.

"The consumers of semi-manufactured steel are exasperated over this 'dumping' of German raw material abroad, because it only promotes the foreign trade in manufactured articles at the expense of the German manufacturers of similar products, and ousts the latter from competition in the foreign market." \*

Thus, as the Board of Trade† points out: "One striking result of the dumping policy is that by supplying manufacturers abroad with materials at low prices the German syndicates make it possible for these foreigners to compete on very favourable terms with their rivals in Germany in regard to the sale of finished products."

In fact, while their artificial and elaborate system has artificially fostered and coddled some of their trades, it has injured and practically destroyed others.

The Report for 1902 of the Cologne Chamber of

\* Quoted in the "Free Trader," November, 1904.

† Memoranda, etc., 1903, loc. cit., p. 304.

Commerce complains that German half-manufactured goods "are sold in the trade centres of England at 10s. a ton less than in Germany," and the result is that "the German finished wares cannot be exported to Great Britain," and of course are heavily handicapped elsewhere.

Similar considerations apply to many other trades.

Foreign and Colonial statesmen, and now, alas, some of ours also, seem to ignore the fact that the imposition by any country of high protective duties tends to shut that country out of foreign markets. Fences, indeed, always shut out more than they shut in.

The Protectionist policy of Germany, France, the United States, and other countries gives us a great advantage, and places them at a great disadvantage in neutral markets.

Take, for instance, the trade with India. India gives us no preference. The products of other nations are admitted on the same terms as ours, but look what a supremacy we owe to our Free Trade policy. The imports of India\* are £50,000,000, and of this no less than £38,000,000 came from the British Empire, and most of the rest consisted of articles which we do not produce.

The imports from Germany were only £1,500,000; from the United States, £800,000; from France,

\* I take the year selected as typical by the Indian Government in their reply to our Government on the question of Preferential Tariffs (Cd. 1931, 1904).

£800,000; and even of these comparatively trilling amounts a substantial proportion consisted of articles, such as wine and oil, which we do not export.

Or take Argentina. She imports from the United Kingdom 37,000,000 pesos; from the United States, 13,000,000 pesos; from Germany, 13,000,000 pesos; from France, 9,000,000 pesos.

Take again China. We export to China 58,000,000 taels. This, moreover, is exclusive of Hong Kong, which would raise it to 231,000,000, and a great deal of which is British. Now what is the trade of other countries? The continent of Europe—Germany, France, Russia, Austria, Italy—in fact, the whole of Europe together send 19,000,000—19,000,000 only!—about one-third of ours

The United States are more favourably situated for trade with China than we are; their population is nearly double ours. What do they send? Thirty million taels! Scarcely more than half as much as we do.

I cannot doubt that but for their Protective policy the trade of these great countries would have been far more important in these neutral markets, and that if we follow the policy of Germany and France we have much to lose and little to gain.

### ON DUMPING.

Commerce after all is only shopping on a large scale. We go into the market of the world to buy

what we want, as a customer goes into a shop to buy what he wants. Yet our Tariff Reformers cry out because they allege, not that foreigners charge us too much, but that they sell us their goods too cheap.

In two well-known lines Canning once complained that

“ In matters of Commerce the fault of the Dutch  
Is giving too little and asking too much.”

But the complaint now is that foreigners, and especially Germans, are said to charge their own people too much, and us too little. If they do, or so far as they do, I could understand Germans crying out, but it seems a singular grievance for us to complain of. Those who sell goods below cost price are more likely to be ruined than those who buy them.

### EFFECT OF PROTECTION ON THE PROTECTIONIST COUNTRY.

No doubt Protectionist countries retain to some extent their own markets—the United States that of 80,000,000 people, Germany of 70,000,000; but to do so they cripple themselves in the world's trade—that of 1,500,000,000 people—surely a very bad bargain!

We used to hear great complaints about the United States duty on tin plates, and the case is interesting and instructive—not to say amusing. It has been admirably told by Sir J. J. Jenkins (Lord Glantawe), who knows the trade intimately. As soon as the duty was suggested, the price went up

in the United States, and our manufacturers sent over large supplies, on which they made a magnificent profit. When the tariff came into operation, the trade of course fell off. But the change proved disastrous to the American industries dependent on tin plates. The American fruit growers could no longer compete with those of Mexico. Millions of bushels of fruit and vegetables were left to rot on the ground. Canadian salmon could be canned much more cheaply than those of the United States, so that if our tin plate manufacturers suffered in the United States, their trade with other countries was increased. Eventually the outcry in the United States became irresistible, Congress agreed to give a rebate of no less than 99 per cent. of the duty, and at present almost the whole of the canned goods exported from the United States are packed in Welsh tin plates. This rebate on the Welsh tin plates is more than the cost of the carriage and insurance, so the result of the American duties, therefore, is that Californian fruits are sold in London as cheap, or even cheaper than, in San Francisco.\*

I may add that the tin plate industry in America employed 15,000 people, and the canning industries 2,000,000; so that the net result is to benefit 15,000 people to injure 2,000,000, and to give us cheap fruit and salmon!

\* Dip. and Cons. Reports, 2988, June, 1903.

This is a good illustration of the absurd results which arise from Protection!

Speaking of this "vanishing industry," the *Times*\* says: "The year which has just closed has been, perhaps, the most prosperous one on record. . . . While there has been such extraordinary prosperity in the Welsh tin plate industry; in America, notwithstanding the existence of a tariff, there are now only 20 per cent. of the tin plate mills at work."

No one would, of course, deny that Protection benefits the trades protected—at least for a time—but it is at the expense of the rest of the community, and very delicate questions arise as to which trades are to be subsidised and which are to be taxed. This part of the question has been discussed by one of the leading Fiscal Reformers—Professor Ashley, Professor of Economics in the University of Birmingham. You cannot, he justly observes, leave the determination to Government, because you would place in their hands a gigantic opportunity for bribery; you cannot entrust it to the commercial community, because every trade would demand Protection for itself; you cannot leave it to the House of Commons, because you would create an endless amount of lobbying and corruption.

Mr. Ashley's suggestion is to leave it to the Professors of Economy in the new Universities. I

\* Financial and Commercial Supplement, Jan. 3, 1908.



do not understand why he would exclude the old ones, but however much there may be to be said for the suggestion, you will, I feel sure, agree with me that neither the Government, the commercial community, nor Parliament are likely to adopt it.

Mr. Bayard, when United States Ambassador to Great Britain, in a speech before the Edinburgh Philosophical Association, shows how Protection has lowered the tone of public life in the United States: "In my own country," he said, "I have witnessed the insatiable growth of that form of State Socialism styled 'Protection,' which, I believe, has done more to foster class legislation and create inequality of fortune, to corrupt public life, to banish men of independent mind and character from the public councils, to lower the tone of national representation, blunt public conscience, create false standards in the public mind, to familiarise it with reliance on State aid and guardianship in private affairs, divorce ethics from politics, and place politics upon the low level of a mercenary scramble than any other single cause."

## TARIFF NEGOTIATIONS AND TARIFF WARS.

Another reason which is alleged for the imposition of duties is retaliation; and, as we are told, to have something to bargain with. Because France

imposes duties on our goods we are to inflict on ourselves an injury by imposing duties on hers.

We are told that duties will supply us with a weapon; but I must observe as a man of business that a weapon is all very well as against an enemy, but it is a poor means of securing a customer.

Moreover, France and Germany, the United States and Russia are trying this plan, and have been trying it for years, without the slightest success.

It must also be remembered that if any Protectionist country did succeed in obtaining any advantage, we should share it under the most favoured nation clause.

Nor have we only the experience of foreign countries. We have tried it ourselves. We had Protection for years, and Mr. Gladstone has recorded that, when he was at the Board of Trade: "From 1841 to 1844 we were anxiously and eagerly endeavouring to make tariff treaties with many foreign countries. And the state of our tariff, even after the law of 1824, was then such as to supply us with plenty of material for liberal offers. Notwithstanding this, we failed in every case. I doubt whether we advanced the cause of Free Trade a single inch."

The truth is that Tariff wars, like others, are most injurious to those who enter into them. The most important cases of late years have been the Tariff wars between France and Switzerland, Germany and Russia, and France with Italy. The re-

sults are given in a most interesting Blue Book,\* which shows that in every case they were disastrous to both the countries engaged.

It is sometimes said that our early Free Traders advocated Free Trade because they believed that other countries would follow our example. That is quite a mistake.

Sir R. Peel, for instance, speaking in the House of Commons in 1846, said: "Hostile tariffs, so far from being an argument against the removal of restrictive duties, furnish a strong argument in its favour."

And again, three years later, in 1849: "I contest the principle that you cannot fight hostile tariffs by free imports. I so totally dissent from that assumption that I maintain that the best way to compete with hostile tariffs is to encourage free imports. So far from thinking the principle of Protection a salutary principle, I maintain that the more widely you extend it the greater the injury you inflict on the national wealth and the more you cripple the national industry."

It is understood now that so-called Tariff Reformers, or, at any rate, some of them, wish to see duties placed on imports generally, with the exception of so-called raw materials. In fact, however, all imports are in a sense raw materials, but this I pass by.

\* Report on Tariff Wars between certain European States. Cd. 1938, 1904.

The policy is a return to the evil days preceding the great reform of Sir R. Peel. It was found that these numerous duties were vexatious, expensive, and a great interference to Commerce.

They were abolished with general consent, and yet it is now proposed to re-establish them.

The result, of course, would be a general rise of prices, and it is difficult to see how it would be an advantage to the country to raise the general cost of living.

#### COLONIAL PREFERENCE.

And now I come to the question of Colonial Preference. I should be glad if we could have a Zollverein for the British Empire. That, unfortunately, is at present impossible. The Colonies will not agree. Some of them have, however, in one sense given us a preference. We are grateful, and acknowledge their friendly intentions, which have proved as great an advantage to them as to us; but, as Mr. Chamberlain pointed out to the Colonial Premiers at the Conference in 1901, Canada has so arranged her duties that, in spite of the preference, "foreign produce at the present time in Canada has still a lower average tariff than British produce"; and he continued:—

"What return has been made to them by the foreigner for the advantage which the foreigner has derived from their tariff? The exports from Canada to foreigners have decreased 40 per cent.,

while the exports from foreigners to Canada have, as I have said, largely increased. On the other hand, in spite of the tariff, in spite of everything, in the natural course and communication, the exports to the United Kingdom have increased 85 per cent. in fifteen years, and the net result is that, in spite of the preference which Canada has given us, their tariff has pressed, and still presses, with the greatest severity upon its best customer, and has favoured the foreigner, who is constantly doing his best to shut out her goods.

“Now what is the present position? . . . We take already by far the largest proportion of Colonial exports, but there is not the least doubt that we might double or treble the amount that we take, but we cannot do so until we have the reciprocal advantage, and until you take in exchange a larger proportion of our goods, and so enable us to pay for the imports which we should receive from you.”\*

We have given the Colonies long ago a free market for all their produce, while they almost all endeavour to exclude our manufactures. It would be only fair that they should treat us as we treat them. At present the duties of various foreign countries are lower than those of our own Colonies. Canada, for instance, imposes 17 per cent. on our goods, Holland less than 3 per cent. The Colonial

\* Mr. Chamberlain, Colonial Conference, Cd. 1299, 1902.

duties, moreover, are avowedly Protectionist. We give our producers no advantage in our markets over theirs; they give their producers an advantage of from 10 to 20 per cent. over ours.

They insist on what they call "adequate" Protection. Adequate for what? To keep our goods out when they compete with their own manufactures. As a witty Australian Free Trader said: "They will only admit our goods on payment of a duty which will keep them out."

### THE COLONIAL POLICY.

They are themselves, as we believe, the greatest sufferers from their policy.

Canada is in winter a very cold country; she has immense tracts of fertile land which might be opened up by more railroads, and yet in order to benefit a few manufacturers she artificially raises the price of warm woollen clothing, and checks the development of railways by raising the price of rails! The great sufferers from this short-sighted policy are, of course, the people of Canada themselves. Their population might be most profitably engaged on the land, and they are themselves the great sufferers by their own policy. But no doubt it also checks our trade. Yet who would propose to retaliate on Canada?

Australia has millions of acres of uncultivated land. Agriculture would fully occupy many times

her present population; it is her most remunerative industry; and yet her policy is to discourage agriculture and keep her people in cities, and on less remunerative occupations. I say less remunerative, because if this were not the case they need not be bolstered up by duties which compel the agricultural community to pay some 10 per cent. more for much of what they require. I could understand a nation making some sacrifice to encourage a healthy country life and keep the people away from the slums of great cities. The opposite policy fills me with regret and astonishment, though, of course, Australians must judge for themselves.

Another argument is that Preference would strengthen our union with the Colonies. Is this so? Already we have heard the complaint that we have "slammed the door in their face," when the facts are that we admit all their produce free from duties, while they put heavy ones on ours, not for revenue, but avowedly to keep them out. So far from having "slammed" our door in their face, it stands freely open, while theirs is closed and entrance is only permitted on payment of heavy fees.

As soon as we began to arrange and bargain about duties we should find endless difficulties between different Colonies and different interests in each Colony. The duties would prove bones of contention rather than bonds of union. Here, again, I may quote Mr. Chamberlain. Speaking in 1897 he said:—

“Anything in the direction of an Imperial Commercial League would weaken the Empire internally and excite the permanent hostility of the whole world. It would check the free import of the food of the people. It is impracticable, but if it were practicable, and done in the name of Empire, it would make the Empire odious to the working people, it would combine the world against us, we would be a cause of irritation.”

### DIFFICULTIES OF PREFERENCE.

And how is Preference to be given? Take Canada and Australia.

The Canadian wheat ripens late, and, reaching the coast when the Canadian ports are closed, comes to us in bond through the courtesy of the United States. It is true that there are three small ports still open, but they are quite unsuited for the purpose, and the increased railway expenses would be almost prohibitive.

This, it seems to me, places a preferential agreement as regards Canadian wheat out of the pale of practical politics.

Take Australia and New Zealand. Our principal import from Australasia is wool. But no preference on wool would benefit Australasia, for the simple reason that she produces more than we consume. Even as it is, much of the Australasian wool goes to the Continent, because it cannot be used up here.



A Preference on wool would, therefore, be no advantage to Australia.

### EFFECT OF PROTECTION ON HOME TRADE.

But it is sometimes said that if we make an article at home instead of importing it we make two profits instead of one, and secure increased employment for our people. The argument seems to be that if we buy, say, certain silk goods worth £1,000, the foreigner secures the profit and wages; while if we make them here our countrymen do so. That, however, is not a complete statement. How do we pay for the silk? By an export of equivalent value, say, of cotton goods or iron. If, then, we make more silk goods and less cotton or iron, there is no doubt an increase of employment in the silk industry, but, on the other hand, there is a corresponding diminution in that of cotton or iron. Moreover, we get more silk goods by the amount of labour spent on the iron or cotton goods than if it was devoted to the production of the silk goods directly. But it is said that we might make both the iron and the silk, and so make two profits. Is this so?

Why are we to assume that it is possible to sell more goods at home? If this can be done, such a transaction may stand by itself. Let us make the goods and sell them at home. But, as regards the

silk, it will still be better, instead of making the silk, to make more iron or cotton goods, and exchange them for silk. The employment of labour will be the same, and we shall get more silk if we spend our time on iron or cotton than if we devote it directly to the silk itself.

Everyone sees this in the case of wine or oranges, tropical spices or fruits. The same argument applies where the difference of advantage is less. When the difference vanishes, the exchange will pay the cost of the transport and will cease. We cannot secure more employment by diverting our energies from a more profitable to a less profitable industry.

## THE FUTURE OF BRITISH COMMÉRCE UNDER FREE TRADE.

When we consider the very high duties imposed by various countries on our goods—duties imposed not for revenue, but to keep out our products, or, as it is euphemistically called, to “protect native industries”—it seems at first wonderful that we can do business with them at all. The average duties imposed on our goods are estimated by the Board of Trade\*—to take a few of the highest and the lowest—as: By Russia, 131 per cent.; by the United States, 73 per cent.; by France, 34 per cent.; by Germany, 25 per cent.; by Canada, 17 per

\*Memoranda, Cd. 3337, 1904.

cent. ; while in contrast may be mentioned : Switzerland, 7 per cent. ; China, 5 per cent. ; and Holland only 3 per cent.

Yet, in spite of this, we send into the United States £53,240,325 ; into Russia, £15,942,057 ; into Germany £33,600,000, and into France £28,784,829.\*

The explanation, no doubt, partly is that, firstly, manufacturers in these countries take advantage of their own countrymen, raise prices to the extent of the duties, and put the money into their own pockets at the expense of the community. This enables our manufacturers to pay the duties and yet compete with them.

And, secondly, no country produces all that it requires. It is impossible to protect manufactures which do not exist. If a country requires anything which it cannot, or does not, produce—some metal, some machinery, woollen or cotton or linen goods of some special pattern or texture, and a hundred other illustrations might be given—it must import them and pay the duty. So enormously varied are the requirements of civilised men (and women) that even now, in spite of the ingenuity of lawmakers and the multiplicity of duties, a considerable proportion of our exports are of non-dutiable products.

These considerations seem to me to relieve us from the apprehensions felt by some of our states-

\* Stat. Abs., United Kingdom, 1907 (Cd. 3691), p. 65.

men that if foreign countries and our own Colonies become more and more Protectionist they will thus more and more restrict our Commerce.

We may regret that the United States, and our own Colonies, instead of developing their enormous agricultural resources, have preferred to compete with us in the matter of manufactures. They have suffered very much from this short-sighted policy. If they had adopted a different course they would have made much more progress, and we should have shared in their prosperity.

We may regret it, but we have no right to complain.

By this short-sighted policy they have deprived, and, as long as it lasts, will deprive, their own people of many comforts, make their life less pleasant and more expensive; they may restrict their own trade, but they would shut themselves out of neutral markets.

We should, on the other hand, have the advantage of cheap raw materials, and whatever any other country required, if they could not produce it and we could, they would find it to their advantage to purchase of us, rather than from any Protectionist country. In fact, Protectionist countries would surrender, as I have shown that they have already to a great extent surrendered, to us the neutral markets, so far as we can supply them and they cannot supply themselves. Such markets are so numerous and so

wide that we need have no fear for our Commerce in the future so long as we maintain our Free Trade policy. Our trade, therefore, is not, as is sometimes supposed, at the mercy of other countries; they may injure their own Commerce, they may injure their own countrymen, they may to some extent diminish the Commerce of the world (and ours as part of it), but they will restrict and injure their own most.

If all the rest of the world became Protectionist we should still be wise to remain Free Traders.

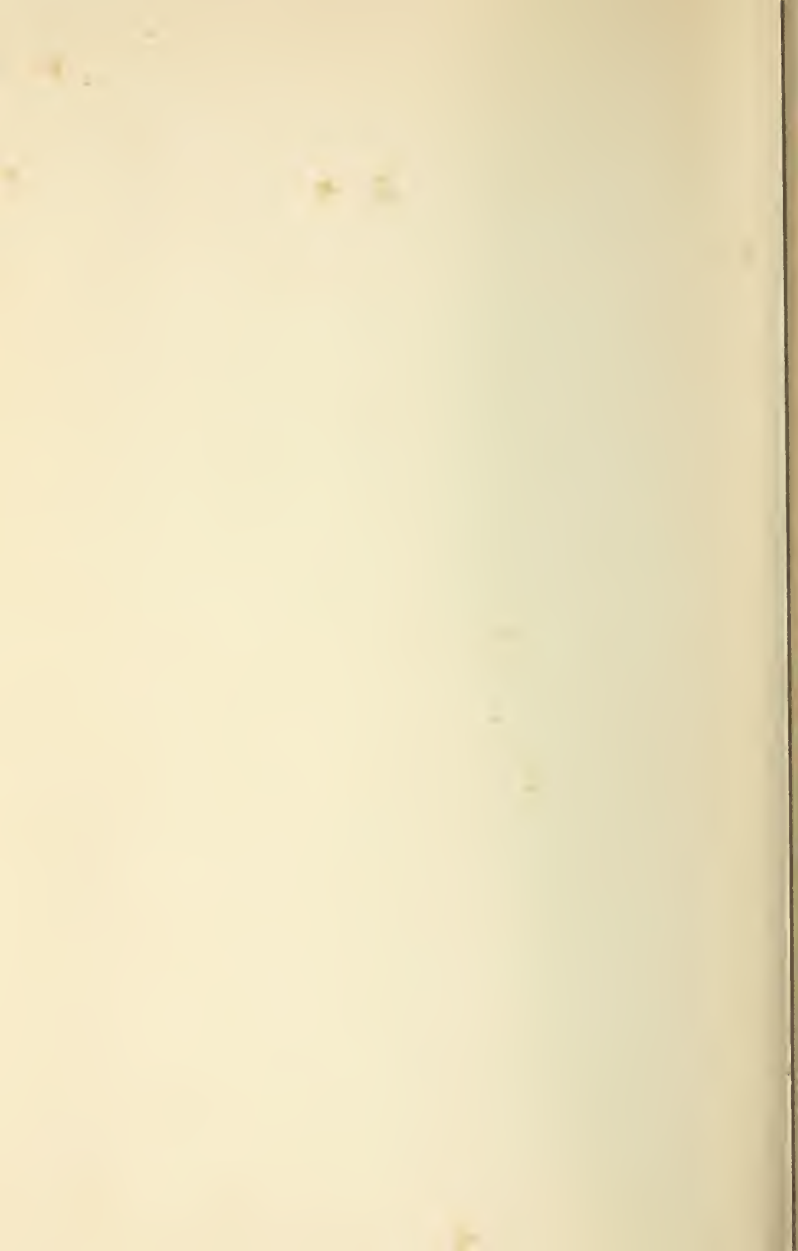
I think, then, it is proved to demonstration :—

1. That our Commerce and Manufactures are expanding.
2. That, though particular trades might be benefited by Protection, it would be at the expense of others and of the general community: that our Commerce as a whole benefits by Free Trade and would suffer by Protection.
3. That duties on Imports are paid by Consumers, and consequently that Protection would raise prices.
4. That Tariff wars are disastrous.
5. That while freer trade with the Colonies would benefit them even more than us, no practicable system of Preference has yet been suggested; and that the bargaining that would be a necessary pre-

cedent, and the conflict of interests which would be raised, would be more likely to disintegrate than to consolidate the Empire.

The late Lord Goschen once implored us not to gamble with the food of our people. I most anxiously hope that we shall not gamble with the Commerce of the country. I trust, however, and fully believe that the sagacity and common sense of our countrymen will retain and maintain our system of Free Trade, under which our Commerce has attained a magnitude and prosperity unsurpassed and unexampled in the history of the world.









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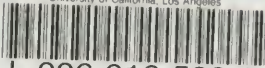
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